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C. O'Loughlin 229 The Economy of Antigua

Nurul Islam 265 Foreign Aid and Economic Development

G. E. Cumper 287 Tourist Expenditure in Jamaica, 1958

**INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH**  
UNIVERSITY COLLEGE OF THE WEST INDIES, JAMAICA, W.I.

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Errata:

- P. 239. *Account 1.* Stock change. For +1,231.8 read —161.2  
Exports of sugar. For 3,379.0 read 4,772.0
- P. 241. *Account 3.* Stock change. For +1,231.8 read —161.2  
Net lending. For 1,825.7 read 3,218.7
- P. 244. *Account 6.* Net lending. For 1,825.7 read 3,218.7  
Sugar exports. For 3,379.0 read 4,772.0
- P. 248 *Table 4.* For "estimated gross output" read "estimated gross product".
- P. 264. *Ref. 17.* For "Barbados" read "Barbuda".



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# The Economy of Antigua

By

CARLEEN O'LOUGHLIN

## I

### A DESCRIPTION OF THE ECONOMY AND ECONOMIC PROBLEMS

#### *Environmental Features*

Unlike the other main islands of the Leewards and Windwards, Antigua<sup>a</sup> is low-lying except for a small mountainous area in the south west. Agriculture is hampered both by relatively poor, shallow soil and low rainfall. Rainfall averages 45 inches per annum, but is badly distributed as between different areas of the island and as between seasons. This feature, combined with the lack of rivers and springs, has in the past led to a rather pessimistic approach to the problem of agricultural development. A recent survey (7), however, showed the existence of a series of large underground wells and this has changed the outlook for agricultural development. Some irrigation may be possible should capital become available.

Generally speaking, however, the conditions under which the main crops of sugar and cotton are grown compare unfavourably with those in neighbouring islands and, in particular, a comparison between the sugar cane industries of Antigua and St. Kitts shows a higher yield and much higher level of profitability in the latter island. Periodic drought conditions in Antigua have led to a very high degree of variability as between yields in different harvests and the island is a fairly heavy net importer of fruit, roots and vegetables.

The area of Antigua (without Barbuda) is approximately 108 square miles (3). Amongst the natural features which must be counted as actual or potential economic assets are good beaches and natural harbours. The coast is deeply indented and there are a number of deep sheltered inlets. St. John's, the capital, is however situated on an inlet into which only shallow draft vessels can enter. The fact that cargoes from ocean-going vessels must be brought three miles by lighter, increases the costs of imported goods and of exporting. The building of a deep-water wharf in one of the many deep inlets in Antigua would not be expensive as compared to such a project in other islands where natural conditions are not so favourable. However, the capital required for such a project is high and besides the problem of raising capital it is noted that the building of such a port in another part

<sup>a</sup>The economy of Barbuda is described on page 260.

of the island would create problems for business firms who have capital invested in the St. John's locality and to some extent to wage earners employed under the present system. Nevertheless, it can fairly be stated that the cost and time involved in loading and unloading in Antigua is a deterrent to shipping companies to call at the island and is one of the factors contributing to the higher price of imported goods which prevails in Antigua relatively to prices in other islands.

The geographical conditions in Antigua have not then favoured a highly productive agriculture, although there is no doubt that with increased demand, improved methods and with the possibility of irrigation, the outlook both for fairly intensive forms of cultivation, such as fruit and vegetable production and for more extensive forms such as livestock production, are brighter. The climatic conditions of the island and the good beaches make it particularly favourable for a tourist industry and it may well be found possible to link the growth of this industry with the development of a specialized form of agriculture providing high quality food products, on a relatively small scale if capital for land improvement could be obtained.

#### *Population and Labour*

The population of Antigua at the end of 1956 was estimated to be 54,228 (including Barbuda, which is estimated to have a population of roughly 1,000). It is felt that population figures should be treated only as broad estimates until the figures for the census to be taken in 1960 are available. One of the factors which distinguishes Antigua from St. Kitts and Montserrat is that there does not appear to be a net rate of migration away from the island. Although a number of Antiguan emigrate each year, the outflow seems to be balanced by an inflow of migrants from other islands. No figures are available of emigration and immigration of residents, but it is considered that the difference between total movements of persons into the island and total movements out of the island gives a broad estimate of the movements by residents, since most visitors will be included both as arriving and departing. The differences between these totals for the years 1954-57 were as follows: 1954 = + 88; 1955 = + 312; 1956 = - 121 and 1957 = + 487, thus showing a net inflow in all years except 1956. It must however be repeated that these figures can only be treated as the broadest of estimates. Labour conditions in Antigua are characterized by the high degree of seasonality usual in sugar-producing islands. The tourist industry is also somewhat seasonal in its labour demands but to some extent balances rather than competes with agricultural demands for labour which are generally greatest in the summer. During recent years, there has been a shortage of labour in the harvesting season which has resulted in some cane being left uncut. This is difficult to reconcile with the low average level of cash income and the apparent underemployment of the population, but a number of factors are thought to contribute to this position.

Firstly, a large number of the sugar workers in Antigua are small peasant

farmers. Although holdings are extremely small, the current high prices of vegetables and cotton have encouraged concentration on small cultivations and may have contributed to the shortage of labour in the harvesting season. Secondly, with the growth of tourism and the work being offered by the U.S. bases, other opportunities of wage employment are available which may offer a greater return for effort than does paid agricultural work. Thirdly, and this is by no means felt to be the least important factor, it is noted that the range of consumption goods available for the lower income group is extremely poor. Most imported goods are dear and because of heavy landing and storing costs, importers appear to be reluctant to import low value, heavy goods. Generally, it is noted that stores catering mainly for the working people carry an extremely poor range of goods; whilst goods carried by stores who cater for middle incomes and tourists are priced high for the average worker. Apart from shoes and textiles, there are virtually no "incentive goods" in the stores. The absence of a regular electricity supply in the country inhibits the demand for electrical apparatus. It is felt that the average Antiguan would take a more positive attitude to seeking wage employment if there were a wider range of low-priced consumer goods available, and if consumer credit were more readily available.

### *The Structure of the Economy*

In agriculture (1) Antigua includes both large estates and peasant holdings. The main estates cultivating sugar and cotton are united in one company, the Antigua Syndicate Estates. There are a number of smaller private estates, most of which are let to peasants. The government, in 1956, owned approximately 17,000 acres of estates. At first, these estates were granted to peasants in the form of small freehold farms but more recently, the policy has favoured leaseholds. In 1956 approximately 8,500 government-owned arable acres were cultivated by 4,800 peasants. In Antigua, the size of the average holding is small, and both as regards government lands and private lands, the small holding has been viewed as a source of income subsidiary to wage-earning rather than as the sole source of income. Such small parcels of land are not easily subjected to scientific processes of cultivation but the work of the Peasant Development Office has achieved an improvement in the standards of agricultural practice. More marginal land has also been cleared and brought under cultivation in the last few years.

Land settlement under government auspices has a long history in Antigua. In the 1930's certain estates' land was made available and credit was given and marketing assistance provided. Since the war government assistance has been put on a firmer basis. In 1954 the government authorities dealing with credit and marketing, land settlement and machinery hire were put under one department, the Peasant Development Office (5). This department has added educational functions to its work and has done much to raise the standards of the small farmer. Assistance is given in kind as far as possible, as for instance, in the provision of fertilizers and machinery, but peasant loans are

still a substantial item in the Department's accounts. In spite of improvements however, it is evident that the small average size of the holding in Antigua inhibits the growth of an efficient peasant agriculture. Even if it is felt to be necessary for social reasons to make as many allotments as possible, it may also be possible to take measures to encourage a few of the more skilful of these peasants to farm a larger area which would lead to the formation of a more efficient farm group without significantly reducing the land available for allotments.

The structure of the economy has changed quite substantially between 1953 and 1956, as is illustrated by the table of gross domestic product by industrial origin (Table 1). Sugar has declined in importance whilst cotton and catering and entertainment (which includes tourism) have increased in importance. These trends continued into 1957 and 1958, and since 1956 construction has increased in importance, due partly to increases in hotel construction and residential building. Between 1953 and 1956 alone the share of the gross domestic product accruing to primary production declined from 45 per cent to 34 per cent. Although this is in part due to the absolute decline in the sugar industry, it is much more significantly influenced by the growth of the non-primary industries.

Capital formation in Antigua did not show any very marked movements during the period, and during 1954 and 1955 plant and machinery investment, mainly by sugar companies, is a fairly significant item. It is thought that an expansion in residential and business construction will be shown when figures are available for the period 1956-59. The Savings and Investment Account shows that much of the investment undertaken has been financed by overseas capital such as development grants and loans, and investment by expatriate firms. It is considered that most of the saving done by local individuals and businesses is invested overseas. This is partly on account of the lack of business opportunities at present existing for the small and medium investor in the island. The net lending item, however, includes short-term movements of funds and unidentified items and must be considered as a broad estimate only.

The tourist industry in Antigua is of a rather different structure from those in Jamaica and Trinidad. Table 9 shows that a large proportion of tourists stay in the island for periods exceeding two months. A number of wealthy Americans have built residences in the islands and occupy them for five or six months of the year. A recent survey carried out in Jamaica (4) indicates that the long-staying tourist has a different expenditure pattern from the short-stay visitor. The expenditure pattern of the former includes a greater proportion of total outlay on services, construction and direct wages and a smaller proportion on store goods of the luxury type. It is thus thought that the long-staying tourist may spend more on items which increase local incomes than does the short-staying tourist. It would seem that the encouragement of the long-staying tourist is a sound economic policy particularly fitted to the kind of tourist attraction which Antigua has to offer. Hotel develop-

ment has also gone ahead at a fast rate since 1956 and is partly responsible for the increases in private capital formation shown in the sector accounts. Two problems arise in connection with the encouragement of the tourist industry. The first involves the proper allocation of beach resources as between tourists, fishermen and the general public. This, however, is a matter to be dealt with by proper government planning and relevant legislation. The second problem arises from the pressure on internal prices caused to some extent by direct tourist demand, but to a greater extent by the increase in incomes generated by the tourist industry. This problem which is closely bound up with other aspects of economic development will be discussed in more detail at the end of this section.

The possibilities for developing secondary industries are limited in Antigua, and except for a few basic domestic industries such as baking, tailoring and engineering, the only secondary industries of importance are those concerned with the processing of primary products, which, as well as sugar milling and rum making, include an oil seed factory, cotton ginning and an arrow-root factory. The sugar industry is, of course, under private control, but the other processing industries have been, in part, developed with government capital. Antigua may ultimately benefit indirectly from the tourist industry in a way that Jamaica also has benefited. Overseas businessmen coming to Jamaica on holiday have taken note of investment opportunities and have sometimes returned bringing capital with them. Obviously the limitations imposed by the size of the market in Antigua make investment by overseas businessmen less probable in Antigua but the existence of a tourist industry on the island at least makes it possible that any economic potentiality which exists will become known.

The existence of a tourist industry also enlarges the potential size of a local market for such items as beer and cigarettes (if a high quality product could be ensured), hand-sewn garments (which are now being made for the tourist industry) and local crafts. The likely formation of a customs union in the Federal region may, however, put such manufactures at a relative disadvantage compared with imports of a similar nature from Trinidad and Jamaica. Regional planning on a Federal level may, on the other hand, assist Antigua in the development of tourism and other industries for which the island is most suitable.

Government has been playing an increasing part in the economy, its share in the gross domestic product having increased slightly during the period. As in most of the small islands, government relies on import duties and indirect taxes for much of its revenue. The grant-in-aid from the imperial government accounted for 12 per cent of the current revenue in 1956.

Both expenditure and revenue can be expected to increase as, on the one hand, the standard of services is raised and, on the other, the national income increases. Nevertheless, it does not necessarily follow that government revenues will rise automatically at the same rate as national income, since a large part of the increase in national income may accrue to groups below



the taxable level of income, and who will contribute only in the form of indirect taxes. The yield from direct taxes in Antigua has been small and very variable; the reasons for this being mainly variability in seasons and the smallness of the average business unit, particularly the farm unit. During the formative period of the tourist industry government will no doubt be reluctant to consider the industry as a main source of revenue, but the problem of raising higher revenues in the future will inevitably involve considerations of how tourism can contribute, as painlessly as possible, to the island's revenue on a more significant scale than is the case under the present fiscal system.

The overseas sector account (Account 6) shows that Antigua has a high degree of dependence on the outside world. As is the case with most other islands there is a persistently higher level of merchandise imports than of merchandise exports. The difference on merchandise account is greater in Antigua than in most of the other islands, but the gap is significantly narrowed if invisibles in current account are included, since tourist expenditure is increasing and was estimated in 1956 to be roughly equal in value to the main commodity export—sugar. The import content of household expenditure is estimated to be about 53 per cent, which is a high proportion, indicating the island's dependence on imported food items to be greater than in most neighbouring territories.

#### *The Future of the Economy of Antigua*

Whilst it is not the purpose of this paper to make recommendations regarding development policy in Antigua, certain trends in the structure of the economy are bound to be exposed when a set of sector accounts is prepared (10). It is felt that an analysis of these trends and potential trends will be of value, particularly to those who are concerned with the development of the island.

Antigua is not just an isolated island, but part of a Federation and also part of the Leeward Islands group. Is it possible therefore to consider the economic development of Antigua in isolation? In Trinidad and Jamaica it may well be felt that economic planning involves, primarily, planning for the unit concerned and only secondly planning for the unit as part of the Federation. In the small islands however, due to their dependence on the world outside, including their neighbours, it is not possible at all times to isolate the economy of one island and consider its development problems alone.

How does this affect Antigua? The island is a net importer of foodstuffs from the neighbouring islands of Montserrat and Dominica. As Antigua's national income and tourist trade increase she will provide an expanding market for the products of these other islands unless she can replace them by increases in her own local production. An isolated approach to Antigua's development problem may well consider that, within the boundaries imposed by physical limitations of the island, this policy should be pursued.

It is however unlikely, on account of the limited amount of good land, high

costs of production and the variability of the rainfall, that Antigua could increase substantially her output of root crops, fruit and vegetables, and maintain a consistent output from year to year. If capital were to become available for irrigation, and assuming that the water resources are in fact sufficient to permit irrigation, the position might change, but in view of the high capital costs of irrigation this is unlikely to lead to a large increase in output, but rather to a lowering of costs of production. It is felt that irrigation areas producing mainly high quality products, partly with a view to the tourist trade, could be an important part of Antigua's agriculture. As regards the bulk of roots, fruit and vegetables for general consumption, it is felt that any measures to reduce the costs of importation and marketing of foods from neighbouring islands would be of more use than the encouragement of increasing high-cost local production on marginal land. It must be remembered also that increases in the national income of neighbouring islands are of some benefit to Antigua since visitors frequently come from the poorer islands to make purchases, have a holiday or to receive education. These points are made because it is felt that Antigua, having an economy which is different in many respects from the other islands, is in a position to view herself as a complementary, rather than a competitive economy with her neighbours.

As regards livestock products, however, it is possible that Antigua could increase her output considerably and probably become nearly self-supporting. In a broad sense the objective of improving the average quality and profitability of crops rather than the quantity goes hand in hand with an expansion of the livestock industry, since it generally means that marginal crop lands will ultimately become available for livestock. Here again improvements in the quality of eggs and meat products will be necessary if production for the tourist market is to be achieved.

It must, of course, be recognized that any measures taken to develop the agricultural sector on the lines of a small high-quality crop economy and an expanded livestock economy may be considered as conflicting with the land settlement pattern of Antigua, since the former may demand a larger farm unit size. The reconciliation of this conflict may take time, but it is worth noting that the type of intensive cultivation associated with an irrigation area can be carried out by fairly small farms, providing that centralized water control, marketing and supervision of cultivation standards is maintained. In Jamaica, where small farms operate in an irrigation area, most of the problems which have arisen have been due to inadequate co-operation between individuals, preventing free passage of water and equipment across intervening properties. As regards livestock production, marginal and uncultivated lands could be utilized, but some amalgamation of small properties might seem necessary if this industry were to be planned with a view to fairly high productivity. Irrigation of pastures for the dairy industry and cultivation of corn under irrigation should also be considered. These suggestions require examination in more detail, both as regards economic profitability and scientific feasibility, before they could be put into effect on any

thing but an experimental scale. They are discussed here only in a broad sense as forming part of the probable evolution of the island's economy. It is felt too that the sugar industry may well follow the same trend of a more capitalized industry, probably utilizing irrigation and mechanized harvesting to some extent, which would potentially lead to an equal or higher yield than at present, on a smaller area of land. Increased labour costs and variability of labour supply, combined with increased demand and rising prices, are factors which are likely to bring about more capitalized agricultural methods, even without government intervention. Planning, however, and capital expenditure in land improvement on the part of government would help to ensure a more balanced development.

The main cause of high prices is of course inelasticity of supply faced with an expanding demand. It is not considered that tourist expenditure itself creates very much pressure on the prices of consumer goods because the range of goods consumed by tourists in competition with the local population is not great. The general raising of the level of incomes caused by the tourist industry has undoubtedly led to increased pressure on prices. It is not, however, very constructive to blame conditions of increased demand for price inflation since increased demand is part and parcel of economic development. It is in the conditions of supply that the root of the problem lies.

The high prices of foodstuffs, at present prevailing, are no doubt encouraging cultivation on marginal lands which would not otherwise be profitable. At the same time they may be discouraging production on better lands where profitability is higher and where it is possible that negatively elastic supply curves prevail. In this case the problem can only be met by active measures to increase supply at relatively low cost, irrespective of whether this involves local or imported foods.

There is some evidence that negatively elastic conditions of supply also prevail in the labour market in Antigua. In particular, the possibility of earning cash from cotton and small-crop production has, it seems, led to a decline in the amount of labour offered for wages, and seasonal shortages of a serious nature have been experienced. It is probable that one major cause of this condition is the lack of "incentive" goods for working-class purchasers. If electricity could be made available to villages, a desire to obtain electrical equipment might lead to a more enterprising approach to wage earning, particularly if consumer credit became available.

The structure of the Antigua economy thus shows certain disequilibria which are not necessarily self-adjusting without government action. The main problem is that of inelastic supply of both imports and home-produced goods within the price level relevant to the resident population (as compared to the price level relevant to the tourist population). This condition has led to high prices, a low incentive to wage-earning, and an increase in the internal cost structure. This again is part of the same problem and can only be met by increasing efficiency in agriculture and in distribution and marketing. It is a problem which will have to be faced ultimately if the advantages of the tourist industry are to be reaped.



The results of the national accounts study show a rather higher national income than was expected in 1956. The *per capita* gross domestic product in Antigua in 1956 was \$283<sup>a</sup> as compared with \$457 in Jamaica, \$715 in Trinidad, \$317 in Barbados, \$411 in British Guiana and \$189 in Montserrat. In spite of the fact that the value of money is slightly lower in Antigua than in the other small islands, the real increase in national income is marked since 1955 and is thought to have continued into 1957, 1958 and 1959. Another factor which bears out the conclusion that Antigua's standard of living is rising (if slowly) at probably a slightly greater rate than that in most of the islands, is that there is immigration into Antigua from other islands and rather less emigration from the island. Again, the increased proportion spent on the non-food items of the family budget is a symptom of rising living standards.

Antigua's economic outlook seems then to be brighter than most other small islands and this is almost solely on account of the tourist industry. If Antigua is prepared to make certain sacrifices of amenities, there is no reason why she should not have as large a tourist industry as has Barbados. There is evidence, moreover, that Antigua is attracting a wealthier type of tourist than is Barbados. It is estimated that in 1956 the tourist expenditure in Barbados was about \$8 million. Amongst the smaller population of Antigua such an expenditure would include a very substantial addition to income, and would assist greatly in enabling the administration to be self-supporting, assuming fiscal policies are geared to enable revenues to keep in step with the national income changes.

## II

### SECTOR ACCOUNTS FOR ANTIGUA

The sectors shown in these detailed accounts are sugar, other business, savings and investment, households, government (current) and overseas. The aim of the sector accounts is to show the main transactions within the economy, and between the economy and the overseas world. The pattern of accounts used is similar to that used in the study of Montserrat (8). It differs only slightly from the sector accounts used by Mr. Dudley Seers (9) in the National Accounts of Barbados (2), the main difference being that in the Montserrat and Antigua accounts companies are not shown as a separate sector.

The result of this treatment is that all profits except those of expatriate firms are shown as distributed in the first place to households. The saving of households and businesses thus may include a small amount for undistributed profit of the few resident corporations. Expatriate gross profit is shown as paid overseas in the first place, but much of the direct investment is shown in the savings and investment account and the overseas account. As will be noted from these figures, direct investment from overseas exceeded

<sup>a</sup>One dollar (W.I.) equals 4/2d, or approximately 55 cents (U.S.)

expatriate profit, and in all but one of the years under review the main overseas-owned companies actually spent more on new investments than the sum of their profits for the relevant years.

The government current account is simplified to some extent as it does not show the detailed commercial transactions between the public and government. In Antigua the Peasant Development Office purchases cane, cotton, fruit and vegetables and markets these commodities. Only a small proportion is however sold directly to households. The peasants' cane purchased is sold to the millers, so that to show the purchase in the accounts would simply involve a purchase from the sugar sector and resale to the same sector. The same applies to cotton and part of the fruit and vegetables which are purchased from "other industries and agriculture" and resold to distributing businesses in the same sector. Government profit on such transactions enters into indirect revenue in the same way as any profit on post office transactions. The value of peasant products sold by government in 1956 were (\$000) cotton 865, cane 732, and fruit and vegetables and other products 60. As regards cotton the bulk is marketed through a government agency, but this is shown as passing through the distribution sector (other industries and agriculture) in the accounts.

A further problem resulted from the existence of the Leeward Islands Federal Government in Antigua for part of the period under review and of the Leeward Islands Governor and staff for the whole period. It seemed unrealistic to treat this as a "foreign" government. The course adopted was to subtract both from revenue and expenditure of the Federal Government, the values of the services of non-residents (i.e. police and other officers in Montserrat and St. Kitts-Nevis-Anguilla) and to add the remainder to the accounts of the Antigua government.

In presenting these sector accounts, it must be stated that the reliability of data on which they are based is disappointing. It is felt that the material available in Antigua was not of such a high order as that available for Montserrat or for St. Kitts. Although this is due mainly to the complexity of the economy, in which the value contributed by small farmers, who do not make tax returns, is relatively great, it is also due to the paucity of official statistics. Agricultural studies which have been made in Nevis and Montserrat were not available for Antigua. The output of domestic crops is thus covered neither on the production nor the consumption side, and broad estimates were employed. The information available from the Agricultural Department, the Accountant General and the Customs Department was not shown in great detail and conflicting figures resulted from a comparison of certain figures as provided by different authorities. Thus, if it is hoped to continue national income estimates for Antigua (either by local or Federal authorities), the first requirement is for an improvement in basic statistics, particularly as regards agricultural output. In view of these problems of estimation, the sector accounts are presented as giving a broad picture only of the economic activity of the island.

## SECTOR ACCOUNTS FOR ANTIGUA, 1953-56.

## ACCOUNT 1. THE SUGAR INDUSTRY (\$'000)

	1953	1954	1955	1956	1953	1954	1955	1956
<i>Receipts from:</i>								
<i>Other industries</i>								
Locally sold sugar and rum	337.4	303.1	304.5	326.8				
<i>Saving and investment</i>								
Stock change	+ 200.0	- 139.3	- 232.5	+ 1,231.8				
<i>Households</i>								
Government								
Overseas								
Exports of sugar	4,860.2	2,131.4	3,412.8	3,379.0				
Export of molasses	28.9	26.9	109.1	52.4				
Sugar Pref. Certificates	123.8	126.7	118.3	94.4				
<i>Payments to:</i>								
<i>Other industries</i>								
Purchases of goods and services					1,756.3	522.7	1,292.0	2,006.1
<i>Saving and investment</i>								
Labour Welfare Fund					99.9	190.2	44.7	62.2
<i>Households</i>								
Wages and salaries					2,016.0	1,584.0	1,859.8	2,239.1
Profits of locally owned farms					483.0	20.0	238.0	239.0
<i>Government</i>								
Company taxes					310.0	70.0	97.0	121.0
Indirect taxes, purchases, fees, etc.					60.0	30.0	65.4	69.2
<i>Overseas</i>								
Profits of expatriates and direct current purchases from overseas					825.1	31.9	115.3	357.8
	5,550.3	2,448.8	3,712.2	5,084.4	5,550.3	2,448.8	3,712.2	5,084.4

ACCOUNT 2. OTHER INDUSTRIES AND AGRICULTURE (\$'000)

	1953	1954	1955	1956	1953	1954	1955	1956
<i>Receipts from:</i>								
<i>Sugar</i>								
Purchases of goods and services	1756.3	522.7	1,292.0	2,006.1				
<i>Saving and investment</i>								
Payments to construction and distribution for capital works	1,402.8	2,174.2	2,192.4	2,560.5				
Stock change	20.0	-120.0	62.0	-120.0				
<i>Households</i>								
Purchases of goods and services	8,989.8	9,111.9	9,889.2	10,332.0				
<i>Government</i>								
Purchases of goods and services	933.1	1,063.2	1,506.0	1,387.9				
<i>Overseas</i>								
Exports: goods	1499.9	577.3	1,399.2	2,771.6				
Exports: services (including tourist expenditure)	1,650.0	2,665.2	2,620.2	3,350.2				
Receipts from other non-residents	250.0	250.0	275.0	280.0				
	16,501.9	16,244.5	19,236.0	22,568.3				
<i>Payments to:</i>								
<i>Sugar</i>								
Locally sold sugar and rum					337.4	303.1	304.5	326.8
<i>Saving and investment</i>								
<i>Households</i>								
Salaries and wages					3,033.6	3,248.9	3,665.4	4,156.2
Profit (including net rent: excluding profit of expatriates)					2,724.7	3,010.0	2,276.3	4,494.6
Non-cash income					875.0	860.0	855.0	825.0
<i>Government</i>								
Indirect taxes					1,151.0	1,005.2	1,117.3	1,521.0
Fees, payments for services					870.7	1,155.4	1,831.5	1,237.2
<i>Overseas</i>								
Imports: goods c.i.f.					7,165.6	6,424.9	8,908.8	9,161.2
Imports: services					200.0	125.0	260.0	325.5
Expatriate profits					143.9	112.0	17.2	520.8
	16,501.9	16,244.5	19,236.0	22,568.3	16,501.9	16,244.5	19,236.0	22,568.3



ACCOUNT 4. HOUSEHOLDS (\$'000)

	1953	1954	1955	1956	1953	1954	1955	1956
<i>Receipts from:</i>								
<i>Sugar</i>								
Salaries and wages	2,016.0	1,584.0	1,859.8	2,299.1				
Profit: local firms	483.0	20.0	238.0	239.0				
<i>Other industries</i>								
Salaries and wages	3,033.6	3,248.9	3,665.4	4,156.2	8,989.8	9,111.9	9,889.2	10,332.0
Profit (including net rents excluding exports and patriate profit)	2,724.7	3,010.0	2,276.3	4,494.6				
Non-cash income	875.0	860.0	855.0	825.0	2,207.8	1,754.2	1,722.9	4,595.0
<i>Saving and investment</i>								
Government	1,867.1	1,804.2	2,459.2	2,909.3				
Salaries and wages								
Transfers (including net loans to peasants)	168.1	267.1	231.5	88.8	226.0	306.0	159.0	216.0
<i>Overseas</i>					183.6	262.1	296.5	401.0
Factor incomes paid by non-residents	339.7	400.0	493.6	542.0				
Remittances and donations	350.0	390.0	550.0	525.0	250.0	150.0	561.2	465.0
	11,857.2	11,584.2	12,628.8	16,009.9	11,857.2	11,584.2	12,628.8	16,009.0

*Payments to:**Sugar**Other industries**Purchases of goods and services**Saving and investment**Private and business saving**Government**Direct taxes**Fees and payments for services**Overseas**Direct purchases from overseas*

## ACCOUNT 5. GOVERNMENT (CURRENT) (\$000)

	1953	1954	1955	1956	1953	1954	1955	1956
<i>Receipts from:</i>								
<i>Sugar</i>								
Company taxes	310.0	70.0	97.0	121.0				
Indirect taxes, fees, etc.	60.0	30.0	65.4	69.2				
<i>Other industries</i>								
Indirect taxes	1,151.0	1,005.2	1,117.3	1,521.0				
Payments for ser- vices etc.	870.7	1,155.4	1,831.5	1,237.2				
<i>Savings and investment account</i>								
Deficit on current account	—	—	—	248.9				
<i>Households</i>								
Direct taxes	226.0	306.0	159.0	216.0				
Fees and payments for services	183.6	262.1	296.5	401.0				
<i>Overseas</i>								
Development and Wel- fare (Current)	117.4	168.9	95.8	174.4				
Fees, etc. from non-residents	127.0	101.2	142.0	198.0				
Grants-in-aid	972.0	1,074.9	1,217.2	888.2				
	4,017.7	4,173.7	5,021.7	5,074.9				
<i>Payments to:</i>								
<i>Sugar</i>								
Payments for goods and services	933.1	1,063.2	1,506.0	1,387.9				
<i>Savings and investment account</i>								
Capital works from current revenues	378.8	155.5	186.5	—				
<i>Households</i>								
Salaries and wages Transfers (including net loans to peasants)	231.1	299.4	227.3	164.1				
<i>Overseas</i>								
Subscriptions etc. Direct purchases Transfers	189.3	302.4	150.6	269.8				
	220.0	246.3	226.3	224.0				
	30.2	35.6	34.3	31.0				
	4,017.7	4,173.7	5,021.7	5,074.9				

NOTE: Purchases and sales of peasants' sugar and cotton are not included in this account.

## ACCOUNT 6. OVERSEAS (\$000)

	1953	1954	1955	1956	1953	1954	1955	1956
<i>Receipts from:</i>								
<i>Sugar</i>								
Expatriate profits and direct imports	825.1	31.9	115.3	357.8	4,860.2	2,131.4	3,412.8	3,379.0
<i>Other industries</i>								
Imports:					123.8	126.7	118.3	94.4
goods	7,165.6	6,424.9	8,908.8	9,161.2	28.9	26.9	109.1	52.4
services	200.0	125.0	260.0	325.5				
expatriate profits	143.9	112.0	17.2	520.8				
<i>Saving and investment</i>					1,499.9	577.3	1,399.2	2,771.6
Increase in locally owned assets:								
Government	293.2	—	1,110.9	—				
Private	150.2	121.6	127.3	250.3	1,650.0	2,665.2	2,620.2	3,350.2
Direct purchases capital equipment					250.0	250.0	275.0	280.0
Net lending (including short-term movements)	450.1	802.0	1,222.0	1,020.0				
<i>Households</i>								
Payments, and purchases of direct imports	1,255.4	2,159.6		1,825.7	450.2	450.0	329.0	701.5
<i>Government (Current)</i>					403.9	1,078.5	1,497.9	1,161.6
Subscriptions, etc.								
Direct purchases	250.0	150.0	561.2	465.0	—	1,070.3	—	332.8
Transfers	189.3	302.4	150.6	269.8				
	220.0	246.3	226.3	224.0				
	30.2	35.6	34.3	31.0				
					—	—	473.8	—
					339.7	400.0	493.6	542.0
					350.0	390.0	550.0	525.0
					117.4	168.9	95.8	174.4
					127.0	101.2	142.0	198.0
					972.0	1,074.9	1,217.2	888.2
					11,173.0	10,511.3	12,733.9	14,451.1



11,173.0	10,511.3	12,733.9	14,451.1
11,173.0	10,511.3	12,733.9	14,451.1

ACCOUNT 7. TABLE SHOWING TRANSACTIONS BETWEEN 6 SECTORS, 1956 (\$000)

Receipts from:

Payments to:		Sugar	Other Industries	Saving and Investment	Households	Government	Overseas	Total
Sugar	—	326.8	1,231.8	—	—	—	3,525.8	5,084.4
Other Industries	2,006.1	—	2,440.5	—	10,332.0	1,387.9	6,401.8	22,568.3
Saving and Investment	62.2	—	—	—	4,595.0	164.1	2,195.9	7,017.2
Households	2,468.1	9,475.8	—	—	—	2,998.1	1,067.0	16,009.0
Government	190.2	2,758.2	248.9	—	617.0	—	1,260.6	5,074.9
Overseas	357.8	10,007.5	3,096.0	—	465.0	524.8	—	14,451.1
Total	5,084.4	22,568.3	7,017.2	16,009.0	5,074.9	14,451.1	70,204.9	

## III

## THE GROSS DOMESTIC PRODUCT OF ANTIGUA 1953-56

*The Sugar Industry*

Sugar has always been Antigua's staple product and main export. The sugar industry in Antigua is organized as follows. There is now one large milling concern which also operates a light railway and technical workshop (mainly to serve the sugar industry). Cane production is not carried on by the millers. There were at one time a number of estates in Antigua. In 1943, however, the majority of these estates were merged into one company called the Antigua Syndicate Estates Ltd. There are still a few independent estates, and a significant part of the total sugar crop is contributed by peasant farmers, who have been encouraged to grow sugar under the Peasant Development Scheme. Table 2 shows the tons of cane ground in the years 1953 to 1957 and indicates the amount contributed by estates, by peasants on Peasant Development holdings and by other farmers (mainly small farmers).

TABLE 2. TONS OF SUGAR CANE GROUND, 1953-57

	1953	1954	1955	1956	1957
Estates	171,837	75,501	112,391	161,071	169,461
Peasants:					
(Peasant Devel. Office)	39,925	18,296	36,292	63,792	62,931
Peasants: Other	33,349	11,174	23,168	43,423	33,708
Total Tons Cane	245,111	104,971	171,851	268,286	266,100
Tons, Sugar produced	31,588	12,601	19,836	28,713	31,985

These figures indicate large seasonal fluctuation in output during the years under review. In 1953 there was a severe drought which lasted well into 1954 and influenced the crop in the subsequent year. Weather conditions in 1955 and 1956 were, however, good for sugar production and the crops in the years 1956 and 1957 reached record output proportions. Antigua is however subject to severe drought conditions from time to time, which brings a rather higher element of uncertainty into sugar production than exists in other sugar islands. A further problem in recent years has been seasonal shortage of labour. Although there is underemployment in Antigua for much of the year, difficulty has been experienced, during the harvesting season, in finding sufficient cane-cutters, and in 1958 this led to a large area of cane remaining uncut. There have been suggestions that mechanized harvesting might be introduced in Antigua which, being relatively flat, would be a suitable island for modern methods of harvesting. Such a move requires particular methods being applied at the planting stage and may take some time to become fully operative. It would not be unnatural if fears of unemployment caused resistance to mechanization from trade unionists. As the necessary supplies of labour have not been forthcoming, however, their case is substantially weakened. Nevertheless, there would probably be an adjustment problem facing some employees which, however, could probably be

TABLE 1. GROSS DOMESTIC PRODUCT AT FACTOR COST, BY INDUSTRIAL ORIGIN

	1953		1954		1955		1956	
	\$000	%	\$000	%	\$000	%	\$000	%
Sugar	3,421.0	28.3	1,659.2	15.5	2,144.8	17.3	2,789.1	17.5
Cotton	149.2	1.2	153.6	1.5	773.8	6.2	790.4	5.0
Other crops	798.3	6.6	782.1	7.3	790.2	6.4	938.1	5.9
Livestock	979.8	8.1	795.1	7.4	775.0	6.3	840.7	5.3
Fishing	125.0	1.0	127.2	1.2	159.3	1.3	158.0	1.0
Manufacturing	42.0	0.4	39.0	0.4	45.0	0.4	51.0	0.3
Construction and engineering	1,061.0	8.8	1,247.0	11.7	971.0	7.8	1,419.2	8.9
Distribution and finance	1,327.9	11.0	1,350.0	12.6	1,161.0	9.4	1,927.0	12.1
Transport and communications	399.0	3.3	449.9	4.2	474.6	3.8	578.0	3.6
Professions	350.0	2.9	356.0	3.3	390.0	3.2	460.0	2.9
Catering, entertainment, personal	925.0	7.7	1,106.0	10.3	1,150.0	9.3	1,781.6	11.2
Rent of dwellings	620.0	5.1	825.0	7.7	1,050.0	8.5	1,242.6	7.8
Government	1,887.1	15.6	1,812.3	16.9	2,491.4	20.1	2,934.3	18.5
Total	12,085.3	100.00	10,702.4	100.00	12,376.1	100.00	15,910.0	100.00

solved by co-operation between employers and workers. Taking a long term view, it seems that any moves to increase efficiency should be encouraged, and this is particularly true of Antigua where the opportunities for diversification of industry are greater than in some small islands. The type of sugar industry which would best fit into a diversified Antiguan economy may well be a small efficient one utilizing only the best sugar land (possibly with the help of irrigation) and incorporating the lowest-cost methods of production. Such an industry, although it may employ less unskilled labour, would eventually be in a position to offer higher rewards to its employees, many of whom would have to be semi-skilled.

Sugar occupied approximately 70 per cent of the arable acreage in 1956. The yields in Antigua are low as compared with other islands and are subject to wide variations, owing to the irregular rainfall pattern. Yields (of sugar) per acre for the four years 1953-56 were 2.51 tons, 1.26 tons, 1.69 tons and 2.24 tons. Economic statistics for the sugar industry are shown in sector Account 1.

### *The Cotton Industry*

Cotton is the second most important crop in Antigua; the acreage and output figures for the years 1953-56 are as follows:

TABLE 3. PRODUCTION OF COTTON

	1953	1954	1955	1956
Acreage	1,300	2,860	5,240	5,958
Products: clean lint, lb.	277,204	278,567	1,208,814	1,134,277
Products: stained cotton, lb.	8,699	13,365	58,572	113,420
Yield per acre: clean lint lb.	213	94	230	190

It will be noted that there was a very significant increase in cotton production during the period. This was due mainly to an increase in the acreage, but also to better weather conditions in the two latter years. As with sugar, cotton yields in Antigua fluctuate widely due to the uncertain rainfall. About 80 per cent of the cotton is grown by peasants. There are now three ginneries in operation including two owned by the government, which is the sole purchaser of peasant cotton. Economic statistics for the cotton industry are shown in Table 4.

TABLE 4. ECONOMIC STATISTICS FOR COTTON, 1953-56

	1953	1954	1955	1956
Price per lb.: 1.MSI	.84	.84	\$1.12	\$1.06
1.VH8	.94	.94	\$1.25	\$1.18
Total value of exports (\$000)	221.5	240.3	1417.4	1259.6
Estimated value of by-products retained in Antigua (\$000)	8.1	7.5	15.3	12.6
Total sales	229.6	247.8	1,432.7	1,272.2
Estimated gross output (factor incomes)	149.2	153.6	773.8	790.4

*Other Agricultural and Livestock Products*

Very little information was available on production of agricultural products other than cotton and sugar. The Agricultural Department had estimated areas of production of a few crops and numbers of livestock, and figures of registered slaughterings were also available. The estimates in Table 5 are based on these figures and on rough estimates made of production and consumption on peasant farms. Although the Peasant Development Office keeps a record of value of products sold throughout its marketing department, this does not include all peasant output but only that part of it which is marketed through the department. Antigua is a fairly heavy importer of fruit and vegetables from the other islands. In Table 5, the estimated value of food products grown in Antigua is shown.

TABLE 5. PRODUCTION OF CERTAIN AGRICULTURAL COMMODITIES (\$000)

	1953	1954	1955	1956
Maize	185.6	178.8	228.7	185.8
Sweet potatoes	28.1	27.9	25.8	33.9
Cassava	25.0	25.3	22.1	22.5
Other roots	221.0	251.2	230.3	225.0
Vegetables	198.6	187.3	202.5	203.3
Fruit	182.5	203.4	227.0	240.3
Total	840.8	873.9	936.4	910.8
Meat	350.2	334.5	325.5	310.2
Milk	310.5	285.6	325.0	335.1
Eggs	200.1	210.6	225.1	262.2
Fish	135.0	140.0	169.2	166.2
Other livestock products	15.0	72.1	82.0	85.0
Total	1,010.8	1,042.8	1,126.8	1,158.7
Firewood, timber, charcoal	98.0	96.5	87.2	80.0
Estimated total value of all above products	1,949.6	2,013.2	2,150.4	2,149.5
Estimated factor incomes	1,903.1	1,704.4	1,724.5	1,936.2

The figures for most fruit and vegetables consumed at home are based on very broad estimates. Both production and consumption data are very scant. The West Indian Agricultural Census to be carried out in 1961 may assist in the provision of firmer estimates in the future. A household budget survey would also provide a valuable check on the expenditure side. Fish consumption statistics were a little more reliable as the Fisheries Department keeps a record of number of registered fishermen and a sample of catches. It is not thought that there is a significant amount of non-cash fishing in Antigua. The total of fish production was estimated at approximately 850,000 lbs. in 1956. The value of fish consumed may appear low in relation to production value of livestock products, but it must be recognized that in Antigua the apparently high value of output of certain agricultural products reflects a high price rather than a large output. The price of fish in Antigua is roughly comparable with the price prevailing in other islands, but the prices of livestock products and many fruit and vegetables are higher in Antigua than

in nearby islands. It must be repeated that shortage of data reduces the reliability of the agricultural estimates, except for sugar and cotton. Because the results of the 1961 agricultural census may not be available for some years and because of the limited coverage of the Peasant Development Office, it seems highly desirable that improved estimates of crop and livestock output should be attempted by the Agricultural Department.

### *Processing and Manufacturing*

The processing phases of sugar, rum and cotton have been included in the values for sugar and cotton shown above. These are the only important processing industries in the island. There are smaller processing concerns for arrowroot starch, cornmeal, coconut and cotton seed oil, but they were not all in operation throughout the period. There is also a pottery which was started by the Industrial Development Board in 1952 and which is now operating under private management. The Industrial Development Board has examined the possibilities for certain industries in the island and amongst those which have reached the production stage are arrowroot starch, pottery, cotton ginning, cornmeal, sausages, edible oils. Others which have been considered suitable include garment manufacture, salt-making (in Barbuda) shoemaking, tobacco manufacture, paint manufacture, brickmaking and confectionery. On the whole there has been little interest taken by investors in manufacturing industries in Antigua. As in other small islands, the size of the market and transport costs limit the scale on which such industries are feasible.

As well as the industries mentioned above, the manufacturing sector includes ice-making, baking, tailoring and furniture-making. The totals of factor incomes are estimated as follows for the four years (\$000); 1953 = 42.0; 1954 = 39.0; 1955 = 45.0; 1956 = 51.0

### *Engineering and Construction*

This sector includes all construction work done by private enterprise and expenditure on development and housing projects by government and the total of expenditure under the head "public works extraordinary". Construction under the Sugar Labour Welfare Scheme is also included. Government housing schemes include "self help" schemes under which materials are provided by government usually under a loan scheme and the labour is provided by the persons requiring the house. The total value of construction of low-cost housing may thus include cost of material out of public funds and an evaluation of private labour involved in construction. Private investment may also be involved when loans from government are repaid.

This private and public construction for residential and business purposes constitutes capital formation. In addition, the engineering and construction sector includes private maintenance of capital and engineering and repair, but does not include government maintenance since output generated on this

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account comes under Government Current Expenditure. Maintenance and repair carried out by the sugar industry is excluded also as it was found impossible to separate the output thus generated from sugar production activities. Table 6 shows the total value of construction and engineering and an estimate of the factor incomes involved. The relation between this table and the saving and investment account should be noted; fixed capital formation includes construction and engineering exclusive of maintenance items but inclusive of a number of other items such as purchase of machinery, vehicles and plant from overseas (partly *via* the distribution sector). The details of capital formation are shown in sector Account 3 which indicates heads of capital expenditure and sources of funds.

TABLE 6. CONSTRUCTION AND ENGINEERING SECTOR (\$000).

	1953	1954	1955	1956
P.W.D. extraordinary	218.5	296.6	184.8	123.9
Devel. and Welfare (capital)	450.2	450.2	329.0	701.5
Other government	3.6	2.6	42.5	40.2
Sugar Labour Welfare	49.2	24.2	86.8	54.2
Private residential	102.3	176.4	221.3	175.7
Business construction	529.1	1,226.4	1,360.0	1,384.5
Engineering and maintenance	330.3	335.0	437.2	549.2
Total Receipts	1,683.2	2,511.4	2,661.6	3,029.2
Factor incomes	1,061.0	1,257.0	971.0	1,419.2

### *The Commerce Sector*

This sector includes all retail and wholesale distribution, commission agents, and storage, except in so far as the latter is carried out by transport undertakings in other industries. Commerce also includes banking and finance. The total receipts attributable to the non-financial concerns were as follows in the years under review: (\$000) 1953=9,750; 1954=11,212; 1955=13,500; 1956=15,612. The factor incomes in the whole of this sector were estimated as follows: (\$000) 1953 = 1,328; 1954 = 1,350; 1955 = 1,161; 1956 = 1,927. The factor incomes of financial intermediaries include remuneration of employees and net interest on assets, which in the absence of more accurate data were estimated at 5.25 per cent of deposit liabilities. It will be noted that interest paid to financial intermediaries was not included in the factor income total for other industries so that double counting has been avoided.

A large part of the turnover of retail and wholesale establishments is recorded in income tax aggregates. Estimates were then made to account for the turnover of small stores and hucksters. The approximate number of these was available from licensing records. In estimating the proportion of factor income to total turnover, allowance was made for the fact that labour costs are usually lower in smaller businesses.

### *Transportation*

This sector includes all road transport, the output attributable to locally-owned shipping, stevedoring and lighterage, and a small value attributable to

airlines maintaining engineering and other staff in the island and to Cable and Wireless. Operation of the airport is accounted for under Government Current Expenditure.

Licensing figures showed the number of commercial road vehicles. A special study of operation costs of each type of vehicle provided the basis for the estimates, which are shown in Table 7.

TABLE 7. RECEIPTS AND FACTOR INCOMES ROAD TRANSPORT (\$000)

	1953	1954	1955	1956
<i>Receipts</i>				
Buses	53.9	63.4	63.4	72.9
Taxis	127.8	176.8	203.0	266.0
Trucks	48.1	45.2	41.0	52.0
Horse-drawn, etc.	36.2	39.7	35.0	35.0
<b>Total Receipts</b>	<b>266.0</b>	<b>325.1</b>	<b>342.4</b>	<b>425.9</b>
<i>Factor incomes</i>	<b>110.0</b>	<b>120.9</b>	<b>129.6</b>	<b>175.0</b>

It must be noted that certain commercial vehicles which are owned by firms operating in other industries are excluded as they have already been accounted for. The railway line which is operated by the sugar factory could not be shown under transport as separate accounts were not available, although it is in fact used for the movement of goods other than sugar to some extent.

Water transport includes waterfront, lighterage and the operation of a few locally registered vessels not primarily engaged in fishing. In fact there is only a small tonnage registered in Antigua and most vessels are fishing vessels. Information was obtained from business firms, from tax records, and from the Labour Department who provided information on average number of workers and average rates of pay. The totals of factor incomes generated by water transport were estimated as follows: (\$000) 1953 = 207; 1954 = 232; 1955 = 235; 1956 = 250.

Although no airlines are registered, some overseas airlines keep technical and clerical staff permanently employed in the island. In addition remuneration of employees of Cable and Wireless must be included in this sector. The factor incomes attributable to airlines and communications are estimated as follows: (\$000) 1953 = 82; 1954 = 97; 1955 = 110; 1956 = 103.

### Professions

The gross output of this sector includes the remuneration and profits of the following: doctors, dentists, nurses, school teachers, (except in so far as they are remunerated by government) lawyers, accountants and religious organizations. Non-profit institutions are thus included in this sector. Information was obtained from income tax aggregates and from private enquiry. It was not possible to obtain very detailed information from a number of religious organizations and the estimates must be considered rather broad. Estimated factor incomes generated in this sector are shown in Table 8.



TABLE 8. OUTPUT OF PROFESSIONAL SERVICES (\$000)

	1953	1954	1955	1956
Medical, dental (private)	121	102	137	135
Educational (private)	72	90	91	102
Legal, accounting etc.	75	78	75	81
Religion	82	86	87	92
Total	350	356	390	410

*Catering and Entertainment and Personal Services*

The tourist industry is becoming increasingly important in Antigua, particularly since hotel expansion has been rapid during the years 1956-59. Table 9 shows the numbers of visitors to the island, grouped by length of stay and their estimated total expenditure.

Of this total expenditure by visitors it is estimated that 48 per cent is spent on hotel accommodation including all meals and approximately 10 per cent on beverages and entertainment. The remaining expenditure goes to other sectors of the economy, mainly transport and distribution. The total receipts of the catering and entertainment sector is shown in Table 10. The expenditure on personal and domestic service excludes, of course, that already accounted for in the hotel trade. Besides domestic service, hairdressing, undertaking and laundering are included.

TABLE 10. TOTAL RECEIPTS IN CATERING AND ENTERTAINMENT (\$000)

	1953	1954	1955	1956
Expenditure by visitors	862.8	1,125.8	1,168.9	1,821.4
Expenditure by residents	80.2	110.7	112.9	125.8
Personal and domestic services	625.0	700.1	725.6	751.0
Total Receipts	1,568.0	1,936.6	2,007.4	2,698.2
Factor incomes	925.0	1,106.0	1,150.0	1,575.0

It should be noted that wages paid directly to Antiguan by non-residents are excluded from the domestic product, but included in the national income.

*Rent of Dwellings*

Statistical information on this sector was better than for most islands because the Central Housing and Planning Authority had recently carried out a detailed housing survey. As is conventional in national accounting, rent was imputed to owner-occupied dwellings. A sample taken from the detailed survey gave an average rent for each size group. The numbers of dwellings in each size group were shown in the results of the survey. The total rent income for previous years was calculated on the basis of known rent changes for a sample of dwellings. Except for the more highly rented dwellings, there was not a very great increase in rental values during the period. Outlays from rent income include payments for rates and taxes, repairs and maintenance and insurance. Normally, these average 40 per cent of gross rent, but owing to hurricane damage still being made good after the hurricanes of 1950, the outlays were estimated at 60 per cent in 1953 and 50 per

TABLE 9. NUMBERS OF AND EXPENDITURE BY TOURISTS

	1953		1954		1955		1956		1957	
	No.	Expend- iture (\$000)	No.	Expend- iture (\$000)	No.	Expend- iture (\$000)	No.	Expend- iture (\$000)	No.	Expend- iture (\$000)
Visitors staying:										
6 months or more	46	190.0	66	214.5	143	464.8	305	991.3	342	1,111.5
1 - 6 months (aver. 2 months)	250	370.0	270	486.0	349	628.2	703	1,265.4	617	1,110.6
2 weeks - 1 month	500	550.0	658	625.1	464	440.8	643	610.9	1,237	1,175.2
Less than 2 weeks	2,121	575.0	2,795	698.8	2,947	736.8	3,056	764.0	4,271	1,067.8
Transit	1,340	2.0	1,354	2.0	1,361	2.0	2,013	3.0	1,814	2.7
Business visitors	110	110.0	1,190	119.0	1,643	164.3	1,599	159.9	1,219	121.9
Total		1,797.0		2,145.4		2,436.9		3,794.5		4,589.7

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cent in 1954. Table 11 shows the detailed figures on which rent estimates are based.

TABLE 11. NUMBER OF HOMES IN EACH SIZE GROUP: HOUSING SURVEY, 1958

Size Group	No. of Dwelling	Average Annual Rental (\$)	Total Rental (\$000)
1-room	4,080	60	244.4
2-room	5,431	88	477.9
3-room	1,812	190	344.3
4-room	1,745	250	436.3
5 rooms and over	1,188	350	415.8
	14,256	938	1,918.7

TABLE 11b. TOTAL GROSS AND NET RENT FOR FOUR YEARS (\$000)

	1953	1954	1955	1956
Gross rental	1,550.0	1,650.0	1,785.7	1,850.5
Net rental	620.0	825.0	1,050.0	1,242.6

### Government

Contribution of government to gross domestic product includes all salaries and wages paid by government, interest and rent earned by government. The item also includes corresponding values attributable to the Leeward Islands Federation in so far as officials concerned are resident in Antigua.

## IV

### NATIONAL INCOME. HOUSEHOLD INCOME AND EXPENDITURE

#### National Income

Having arrived at the total gross domestic product at factor cost (see Table 1) we can calculate the national income by making certain adjustments to this figure. Firstly, the net domestic product is calculated by subtracting a figure for the provision for consumption of fixed capital or depreciation. It is not easy to calculate this figure exactly in an economy such as Antigua since much capital is old and written off. Although wear and tear allowances are recorded by income tax, they are generally rather lower than the economic depreciation and do not include depreciation of dwellings and other structures. When considering the total of depreciation, therefore, reference was made to the following totals: (a) depreciation claimed by corporations; (b) number of commercial vehicles existing in the island; (c) number and value of dwellings. An estimate was made for the depreciation of assets not included in the above groups. The figures for depreciation are shown in Table 12.

To derive national income from net national product at factor cost we must subtract factor incomes paid overseas and add factor incomes earned overseas by residents of Antigua. Factor incomes paid overseas include in the main, the profits of expatriate companies. The estimates include total of such

TABLE 12. NATIONAL INCOME (\$000)

	1953	1954	1955	1956
Remuneration of employees	6,916.7	6,637.1	7,984.4	9,294.6
Profits of farming and enterprise	3,653.6	2,372.2	2,454.5	4,522.8
Non-cash income	875.0	860.0	855.0	825.0
Net rent of dwellings	620.0	825.0	1,050.0	1,242.6
Government, net income from property	20.0	8.1	32.2	25.0
Gross Domestic Product	12,085.3	10,702.4	12,376.1	15,910.0
Less depreciation	— 550.3	— 575.2	— 620.5	— 675.5
Less factor incomes paid overseas	— 656.0	— 7.0	— 2.5	— 658.6
Plus factor incomes from overseas	+ 339.7	+ 400.0	+ 493.6	+ 542.0
National Income	11,218.7	10,520.2	12,246.7	15,117.9

TABLE 13. THE INCOME OF HOUSEHOLDS (\$000)

	1953	1954	1955	1956
Salaries and wages	6,916.7	6,637.1	7,984.4	9,294.6
Wages received from non-residents	292.0	332.2	420.6	480.5
Profits (excluding profits paid to expatriates; including net rent of dwellings)	3,207.7	3,030.0	2,514.3	4,733.6
Non-cash income	875.0	860.0	855.0	825.0
Transfers from government	90.5	82.0	81.0	95.0
Dividends etc. from overseas	47.7	67.8	73.0	61.5
Remittances etc.	350.0	390.0	550.0	525.0
Total Income	11,779.6	11,399.1	12,478.3	16,015.2

profits, excluding company taxes paid in Antigua but including undistributed profit which, if it is re-invested in Antigua, is shown as a capital inflow in the rest of the world accounts. The item includes profits of banks and insurance companies and other factor incomes such as dividends and interest paid overseas to foreign shareholders in Antigua enterprises. The factor incomes received in Antigua comprise interest and dividend interest received in Antigua by residents who hold assets overseas, and wages paid by non-residents, such as long-term tourists and foreign military authorities. Remittance incomes are not considered as a return to a factor of production. They are shown in the table of household income (Table 13), but not in the National Income table (Table 12). Interest on public debt is considered as a factor income and is included in the total. This is considered to be logical in view of the fact that borrowing by government has been for capital rather than for current purposes.

The national income is shown in Table 12. This shows the net factor income (net of depreciation) accruing to residents of the island, whereas, as has been explained in the last section, the gross domestic product shows the total product, or income, created by economic activity within the island, irrespective of whether it is earned by resident or non-resident factors. When much of the capital invested in a country is foreign-owned, the outgoing interest payments will tend to widen the difference between the net domestic product and the national income. In Antigua, the level of profit earned by expatriates was very low for part of the period under review, and as some

Antiguan residents had invested money overseas and many other residents were earning wages paid by non-resident individuals and military authorities, the item for factor incomes received by residents from overseas sources was actually greater than the outflow of profit and dividends in 1954 and 1955, which were years of low profit for expatriate firms.

### *The Income of Households*

The income of households includes wages (6), profits, non-cash income, transfers from government (pensions to residents, relief etc.) factor income from overseas and remittances and donations. It must be noted that the saving which is shown as the difference between income and expenditure in Table 16 is inclusive of all saving out of profit (except expatriate profit) and therefore includes the saving of resident corporations. This arises from the fact that corporations have not been treated as a separate sector. There are few corporations owned mainly by resident investors and it is not considered that anything is gained by separating them from resident non-incorporated firms.

A breakdown of wage and salary earnings by industry is shown in Table 14. It illustrates the fact that sources of wage income are rather more diverse than in most of the other small islands.

TABLE 14. REMUNERATION OF EMPLOYEES BY INDUSTRIAL ORIGIN, 1953-56 (\$000)

	1953	1954	1955	1956
Sugar	2,016.0	1,584.0	1,859.8	2,229.1
Cotton	50.0	60.0	125.0	136.0
Other crops	150.1	150.0	165.0	175.0
Livestock	220.2	195.0	200.0	200.0
Fishing	15.7	15.9	17.5	20.0
Manufacture	32.6	33.0	35.0	38.9
Construction and engineering	874.2	1,010.0	885.7	1,050.1
Distribution and finance	650.0	675.0	790.2	950.1
Transport	265.0	320.0	450.0	457.0
Catering, entertainment and services	775.0	790.0	997.0	1,129.1
Government	1,867.9	1,804.2	2,459.2	2,909.3
Total	6,916.7	6,637.1	7,984.4	9,294.6

The items, profit of farming and enterprise and non-cash income include all non-wage incomes from farming, business, professions and property ownership which is retained in Antigua; it excludes factor incomes paid overseas and company taxes. Transfers from government include pensions and relief. Factor incomes from overseas exclude interest paid to government or governmental institutions.

Remittances into Antigua have increased substantially during the period. This is illustrated in Table 15 which shows the totals for U.S. and U.K. money and postal orders paid by the Post Office. It is worthy of note, however, that the increase has not been so marked as that for Montserrat and St. Kitts and in 1956 was roughly only half that for Montserrat, which has a substantially lower population. It is however, felt that in the case of Antigua the whole story is not told by the post office figures since in Antigua, Amer-

ican currency is widely used and there is a greater tendency for Antiguans to go to the U.S. rather than U.K., as compared with the other islands. It is thus felt that Antiguans may be receiving remittances in the form of bank notes from the U.S. Although the banks in Antigua were able to furnish details of value of dollars exchanged for local currency in Antigua, these figures did not help greatly in the estimate of remittances. One interesting feature of the figures, however, was that the seasonal variation in dollar exchange was low, thus implying that other factors besides the tourist industry were contributing to dollar exchange. An estimate for remittances and donations received is shown in Table 13. This, however, is not considered to be of very high reliability. It is interesting also in this context to note that unlike the other two islands, Antigua does not have a significant emigration. This was because a small flow of immigrants from the other islands served to some extent to counteract the outflow from Antigua to the U.S. and U.K.

TABLE 15. POSTAL ORDERS AND MONEY ORDERS PAID, 1953-57 (\$000)

	1953	1954	1955	1956	1957
U.S. money orders	82.3	98.9	95.8	106.3	93.1
Other money orders (mainly U.K.)	56.2	65.7	65.7	103.5	91.9
Postal orders	15.2	22.8	56.6	176.8	269.5
Total	153.7	187.4	218.1	386.6	454.5

### *Household Expenditure*

Table 16 shows estimates of household expenditure in Antigua for the four years under review. The figures relate to resident households only, and exclude consumption by tourists. The existence of a large tourist industry in Antigua reduces to some extent the reliability of a table of household expenditure since it is not easy to compute, for instance, the proportion of imported consumer goods used by households, as compared with the proportion used by tourists.

Table 16 shows that food items of expenditure accounted for approximately 45 per cent of the national household budget. This compares with 65 per cent in the much poorer economy of Montserrat and between 30 per cent and 36 per cent in such economies as Trinidad, Jamaica and British Guiana. It is usual to find a fall in the proportion of food to total expenditure in countries where the standard of living is higher and the position of Antigua in this respect is illustrative of the fact that she is somewhat richer than such islands as Montserrat, Dominica and St. Lucia. Relative prices as between food items and other items also influence the total to some extent, but the comparatively low non-cash contribution to Antigua's food output, combined with high prices of meat and certain fruit and vegetables, lead one to believe that, in quantity terms, food consumption is low in Antigua as compared with other items.

What then are other important items in Antigua's household expenditure pattern? Table 16 shows apparel and cloth and footwear to be large amongst



TABLE 16. HOUSEHOLD EXPENDITURE OF RESIDENTS (\$'000)

	1953	%	1954	%	1955	%	1956	%
Meat	435.2	4.4	462.3	4.5	475.6	4.6	550.1	4.5
Dairy products	625.5	6.3	735.2	7.1	725.5	6.2	905.6	7.3
Fish	404.5	4.1	425.0	4.1	475.0	4.0	486.2	3.9
Cereals	1,216.5	12.2	1,434.9	13.9	1,250.6	10.5	1,420.0	11.5
Fruit, vegetables, roots	752.6	7.5	706.0	6.8	851.2	7.2	907.0	7.4
Sugar and sugar products	425.2	4.3	357.0	3.5	350.0	2.9	425.0	3.4
Beverages	360.0	3.6	292.0	2.9	325.7	2.8	567.0	4.6
Tobacco and cigarettes	90.7	0.9	101.8	0.9	127.6	1.1	131.0	1.1
Other foods	179.0	1.8	102.1	1.0	350.8	2.9	164.1	1.3
Total Food	4,489.2	45.1	4,616.3	44.7	4,932.0	42.2	5,556.0	45.0
Footwear	325.0	3.3	350.2	3.4	285.0	2.3	290.0	2.3
Apparel and cloth	1,002.0	10.0	1,130.3	10.9	1,395.6	11.8	1,280.0	10.4
Household goods	600.0	6.0	450.0	4.3	650.2	5.5	621.2	5.0
Personal goods	150.0	1.5	165.0	1.6	285.1	2.4	200.0	1.6
Personal and professional service	825.0	8.3	900.0	8.7	975.0	8.3	919.7	7.5
Transport and vehicles	371.0	3.7	375.0	3.6	450.1	3.8	452.6	3.7
Rent of dwellings	1,550.0	15.5	1,650.0	15.9	1,785.7	15.1	1,918.7	15.6
Purchases from government	183.6	1.8	252.1	2.4	296.5	2.5	401.0	3.3
Purchases overseas (including smuggling)	250.0	2.5	150.0	1.5	561.2	4.8	465.0	3.8
Direct taxes	226.0	2.3	306.0	3.0	159.0	1.3	216.0	1.8
Total Household Expenditure	9,971.8	100.00	10,344.9	100.00	11,755.4	100.00	12,320.2	100.00
Total Household Income	11,779.6		11,399.1		12,478.3		16,015.2	
Saving	1,807.8		1,054.2		722.9		3,695.0	

imported items. The proportion occupied by household goods is rather lower than in Jamaica, Trinidad and British Guiana. This bias towards cloth and footwear is felt to be largely due to the importing policy of local firms and limitations of the electrical supply (which were discussed in Section I). Rents are higher in Antigua than in most islands, even relatively to other prices.

Smuggling of liquor is widespread in Antigua and an estimate, which can only be based on limited observation, of the value of smuggled items of consumption is included in the expenditure table under "purchases overseas" which also includes a small estimate for legal purchases made by households from overseas. The legal imports of liquor are low in Antigua and in view of the smuggling of liquor, the item "beverages" (which includes alcohol) is lower in value than the actual consumption of these items. Smuggled liquors are moreover substantially cheaper than legal liquors and the values represent a higher consumption in quantity terms. In this sense, the growth of smuggling, undesirable though it may be in general, has served to counteract to some extent the increase in the cost of living.

Prices of consumer goods are higher than in either St. Kitts or Montserrat. The increase in prices has probably been greater since 1956. Competition from tourists for consumer goods may be considered as partly responsible for this, but of course, there are two sides to this problem and, in spite of the physical limitations of agriculture in the island, increases in local supplies of certain food items are not coming forward to meet this demand as fast as is possible. Inelastic supply conditions of imported goods could also be remedied to some extent by a more enterprising selling policy on the part of importers.

Household saving is a residual item in the national accounts and, as such, cannot be viewed as a highly reliable item. The item includes the savings of households and local businesses, including depreciation. Saving and depreciation of the expatriate businesses is not of course, shown in this account. The value of deposits in the Government Savings Bank rose by \$7.6 thousand in 1954, fell by \$5.6 thousand in 1955 and rose by \$78.2 thousand in 1956. These movements are in line with the movements shown in the household saving item in the accounts but, of course, deposits in the Government Savings Bank represent only a small part of the total saving of local households and businesses.

## V

### THE ECONOMY OF BARBUDA

Statistics for the national income of Barbuda are included with those of Antigua. Information regarding separate details for Barbuda is not easily available, particularly as there are no records of imports into this island. A description of the island and its economy is however included here because



Barbuda is rather different from Antigua in physical structure and economic potential.

Barbuda is a flat island of coral and limestone formation, lying approximately 25 miles north of Antigua; its area is 62 square miles. The main physical feature of this island is the large lagoon on the western side of the island which is separated from the sea by a narrow spit of land. To enter this lagoon vessels must sail up the western coast of the island (approximately 12 miles long) and enter the lagoon at its northern end. The village of Codrington (the only village in Barbuda) is situated at the southern end of the lagoon. Vessels exceeding four feet in draft cannot go inside the lagoon. In good weather, loading and unloading is possible at a point along the west coast of the island.

The annual average rainfall of Barbuda is 35 inches which is badly dispersed. There are, however, some patches of good soil, and agriculture is more feasible than on most of the low-lying Bahama islands which are otherwise of a similar type. Cotton, peas, corn and a few vegetables are grown. Charcoal burning is also carried on in Barbuda. Livestock-rearing has been a traditional industry in this island and has received encouragement and assistance in stock improvement from the government.

The population of Barbuda is estimated to approximate to 1,000. As there is considerable unnotified movement in and out of the island it is felt that the figure cannot be considered as reliable until corrected by the forthcoming census. Mainly because the population density is low as compared to that of Antigua, Barbuda is rather more self supporting in foodstuffs than is the larger island. Many Barbudans are seafarers and some of the larger fishing and cargo sloops operating in Antiguan waters are owned by the islanders. Besides fishing, trade is carried on (sometimes of an irregular nature) between the Leewards and the smaller Dutch and French islands. Many Barbudans have emigrated and remittances are a source of cash income. The total amount of these receipts is unknown since in order to facilitate international trading activities, hard currency notes are obtained when possible.

The historical and social background of Barbuda is of interest and would be well worth a separate study. Here it can only be considered briefly. It is understood that in the days of slavery Barbuda was a slave farm for the Codrington estates on which improvement of the slave stock was designed on eugenic principles. On Codrington's death it is understood the terms of the will freed the slaves and gave them ownership over the island and its lands which was to be on a communal rather than individual basis. Two relics of this strange history still colour the economic scene today. The first is that the health and physique of the Barbudan are still of a high level and in spite of intermarriage with people from other regions, there are still many exceptionally well-built people in Barbuda. The second effect which the history of the island has on the modern economic scene is probably of more importance. The Barbudans have clung very zealously to their "rights" under the Codrington will. This has made it almost impossible for a person

of non-Barbudan descent to acquire land or property on the island for development purposes. It has also coloured the Barbudan attitude to affairs of government. One feels that the Administration in Antigua is viewed as something quite external and perhaps unnecessary to the island's welfare, by its inhabitants. The payment of taxes and repayments of loans to this administration is certainly regarded by the local people as unnecessary and is evaded when possible. Neither smuggling nor tax evasion are considered as crimes by the Barbudan and since the deterrent to such activities in all communities is fear of punishment rather than moral consideration, it is hardly to be wondered at if the Barbudans are somewhat contemptuous of regulations which cannot easily be enforced.

In Table 17 below is presented a very broad estimate of the gross domestic product of Barbuda and the main activities from which income is earned. Non-cash income is evaluated at growers' prices and is considered to account for about 40 per cent of the total, the main part of fruit, vegetables and provisions being produced for use rather than sale.

TABLE 17. GROSS DOMESTIC PRODUCT AT FACTOR COST: AN ESTIMATE FOR BARBUDA (\$)

	1954	1955	1956
Cotton	280.0	4,500.0	4,250.0
Charcoal	14,125.0	10,900.0	13,180.0
Fruit, vegetables, provisions	62,045.0	65,290.0	73,131.0
Livestock and products	19,106.0	18,395.0	19,754.0
Other agriculture	2,191.0	1,975.0	2,325.0
Fisheries	33,168.0	33,288.0	32,114.0
Distribution and transport	50,000.0	55,000.0	60,000.0
Rent of dwellings	5,500.0	5,500.0	5,500.0
Construction etc.	2,100.0	2,100.0	3,200.0
Government	10,169.0	8,557.0	9,209.0
Other (missions, services etc.)	3,121.0	2,526.0	4,212.0
Total	201,805.0	208,031.0	226,875.0

From these figures it will be seen that the *per capita* product of Barbuda (approximately \$227 in 1956) is somewhat lower than that of Antigua but probably higher than that of Montserrat. There is moreover a possibility that the figures for Barbuda are on the low side since certain economic activities undertaken by the islanders are very difficult to measure. Total cash incomes are higher than the G.D.P. by the value of remittances which may have stood at between \$12 and \$20 thousand in 1956, approximately \$8 thousand having been received as money and postal orders.

The problem of Barbuda's economic future brings to the foreground certain problems facing many small islands in the West Indies. Firstly, Barbuda has such a small population that the provision of administration and government services are uneconomic in terms of cost per head of the population. Even the present level of government expenditure which provides only the bare minimum of services would cost the island something like \$40 per head per annum (or about one-fifth of its cash income) were they to be financed locally. Secondly, there is a tendency for the more enterprising inhabitants to emigrate. It is not felt that an improvement in the stan-

dard of education would alleviate this particular problem, but even so it was noted that the average standard of education was rather low in Barbuda and it is felt that a raising of the standard, combined with the natural shrewdness which characterizes the islanders, would lead to a better use of the local resources.

With these considerations in mind, it would not seem that expensive development projects in Barbuda would be particularly desirable nor would they probably be economic. Emigration and seafaring have come to be considered as a natural outlet for excess population. It would appear therefore, that the aim as regards economic policy in Barbuda should be to encourage just so much economic development as to allow a population of roughly 1,000 to earn an average income approximately as high as that earned in Antigua and increasing at roughly the same rate. It is considered that tourism and the production of meat and sea-foods should, with a relatively small capital outlay, be able to achieve this end.

Barbuda has quite exceptional beaches. Other possible tourist attractions are fishing, hunting (there are a number of wild deer on the island), horse-riding and diving (the reefs around the island are littered with a large number of interesting wrecks) and sailing small boats in the shelter of the lagoon, which could, in fact, be made into a yacht harbour if a canal could be cut through the spit of land to the ocean. The possibilities of encouraging tourism have been explored and the main obstacles seem to be (a) the problem of obtaining land titles; (b) lack of facilities such as roads, electricity and vehicles; and (c) inaccessibility of the island, which now has been remedied to some extent by the building of an air-strip on which the L.I.A.T. planes can land after a flight of only 12 minutes from Antigua.

In spite of the undoubted attractions of the island it must be remembered that similar types of island exist in the Bahamas, which are much nearer to the United States. It seems unlikely therefore, that tourists would make the trip to Barbuda alone to obtain this type of attraction, and any project to view Barbuda's tourist development as isolated from Antigua's tourist development, should be viewed in this context.

It is moreover considered that tourists going to Barbuda would for the most part be sportsmen, and although the American tourist expects certain minimum services (rooms with showers, ice and reasonable food) such visitors would not expect the standard of services demanded of hotels in Antigua. It is thus suggested that the ideal accommodation in Barbuda would be a hotel on "rest house" lines but providing all meals and services, individual rooms and showers, to which tourists visiting Antigua would go for part of their stay (it might even be found possible for the hotel interests in Antigua to sponsor such a project and to raise part of the capital). Barbudans would find extra sources of income in providing some foodstuffs, services and possibly boats and horses. As a broad estimate it is considered that 500 visitors a year would spend approximately \$200,000 in the island, of which approximately half would accrue to local incomes. On the basis of the present esti-

mates of income this could increase the national income by roughly 30 per cent. This assumes, of course, that vegetables, meat and fish would be produced locally.

The future of the livestock and fishing industries depends largely on whether the storage and transportation problems can be overcome. The present practice of transporting live cattle by small vessels is undesirable in that it is unsafe, cruel and creates discomfort to other passengers. It is possible that the development of freezing equipment on the island and the provision of a fast launch to convey meat could be of benefit to tourism as well as to the livestock industry, but it seems unlikely that private capital could be found for such projects.

Development is thus envisaged for the island essentially on a moderate scale. It would provide higher incomes for the existing population without necessarily stemming the tide of migrants; and it would not substantially change the way of life of the island except in so far as it would bring the possibility of better services, as, for instance, electricity. The expansion of these two industries alone would, however, require advances in the average standard of education. In view of the difficulties of taxing the population of the island it is suggested that efforts be made to persuade them to support, by public subscription, scholarships for brighter children to obtain schooling in Antigua, or to make provision for improvements in the standard of the local school. The people of Barbuda are by no means a weak or stupid people, and they may well realize that natural aptitude is no substitute for education in the modern world. The lack of organization and purpose in the island's affairs illustrates this fact.

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# Foreign Aid and Economic Development

## A CASE STUDY OF PAKISTAN.

By

NURUL ISLAM

Foreign economic assistance has been a comparatively recent phenomenon in the field of international economic development. Prior to the second World War and especially prior to the first World War, it was foreign investment and not foreign aid which occupied the centre of the stage in international economic relations. In the post second World War period there has been a gradual acceptance of foreign aid as a sort of international responsibility on the part of developed economies towards the underdeveloped economies. The major event in the field of international aid was the inauguration and successful completion of the Marshall Aid Programme in Europe. It led the way, so to speak, in the field of international economic assistance.

Faced with a paucity of domestic saving for capital formation and scarcity of foreign exchange resources for imports of capital equipment and other materials Pakistan, along with many other underdeveloped economies, has turned to foreign aid in the pursuit of her policy of economic development. This paper is an essay on a case study of the role of foreign aid in an underdeveloped economy in terms of an analysis of the extent, pattern and forms of utilization of aid and its concomitant impact on the economic development of Pakistan. While much has been written on the subject from the point of view of donor countries, especially the U.S.A., it may be instructive to appraise it from a different angle and perspective, i.e., the point of view of the recipient countries.

The total amount of loans and aid accruing to Pakistan up to December, 1956 has been \$675 million, out of which aid and grants (including technical assistance) constituted 82.2 per cent, and the rest, i.e. 17.8 per cent, credit and loans. The total figure increased to \$818 million by June 30th, 1957 (6, pp. 39, 40). The flow of foreign aid started from 1950-51 but it was only from 1953-54 that there has been a noticeable increase in the flow of aid from various sources, especially from the United States. The annual flow of economic aid from various sources is seen in Table I (18).

This does not, however, exhaust the list of donor countries. Besides the countries mentioned above the United Kingdom, the World Bank, the Ford Foundation and the United Nations specialized agencies have also provided aid and loans. The U.K. has provided mainly loans and technical assistance and the World Bank provides only loans. The countrywise distribution of

TABLE 1. ANNUAL FLOW OF ECONOMIC AID FROM VARIOUS SOURCES.

	U.S. Mill. \$ (July-June).	Australia Mill. £ (A) (July-June)	Canada Mill. \$ (April-March)	New Zealand Mill. £ (Nz.) (April-March)	Changes in visible exchange receipts Mill. \$.	Changes in visible receipts, excluding foreign aid Mill. \$.	Indices of terms of trade (1942-49 100) March-April June-July
1950-51	.600	—	—	—	—	—	124.8
1951-52	9.700	2.00	10.00	0.25	-118.0	—	118.1
1952-53	10.700	1.79	9.10	0.25	-848.1	—	84.7
1953-54	95.700	2.00	10.30	0.25	-39.1	—	75.3
1954-55	111.100	4.66	9.30	0.35	-86.1	-.33	82.8
1955-56	166.000	—	9.00	0.30	+682.0	+7.56	67.8
1956-57	(July-June) Total Aid, \$205 mill.	—	—	—	-198.2	+1.81	63.4

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foreign aid received up to December, 1956 can be examined from the following: (6, pp. 39, 40).

U.S.	68.7%	Ford Foundation	1.2%
Canada	8.16%	New Zealand	1.2%
U.N. Agencies	1.2%	U.K. (Loans and Technical Assistance)	4.6%
Australia	5.0%	World Bank (Loans)	11.4%

As a source of aid, as distinguished from loans, the U.S.A. is the most important donor country. The other donor countries, i.e. those in the Commonwealth, administer their aid under the Colombo Plan Economic Assistance Programme, i.e. a sort of quasi-multilateral aid programme.

From one point of view the importance of external assistance in the economy of a country can be gauged by the extent to which it supplements domestic resources available for financing development in the public sector of the economy, i.e. the sector in which investment expenditure is made directly by the government and by the government-sponsored institutions.

TABLE 2. SOURCES OF FINANCE FOR DEVELOPMENT EXPENDITURE IN THE PUBLIC SECTOR (6)  
(Million Rupees)

Sources	1955-56 Actual	1956-57 Revised	1957-58 Estimates
Internal loans	205.3	280.8	250.0
Small savings and unfunded debt	102.2	122.2	136.5
Floating debt	50.0	50.0	50.0
External assistance	300.0	529.0	780.0
Others	64.5	66.0	283.5
	722.0	1,048	1,500
External assistance as a percentage of total resources	41.55%	50.5%	52%

If we consider development expenditure in the public sector from 1951 to 1956, foreign aid and loans, excluding relief assistance, constituted 20 per cent of total public development expenditure. The total amount of external assistance in these years consists, however, of both loans and aid and the contribution made exclusively by foreign aid would accordingly be smaller. Grants or aid constituted 77.7 per cent and 86 per cent (budget estimate) of the total amount of external assistance in 1956-57 and 1957-58 respectively (6, pp. 39, 40). Foreign economic assistance has not only made an addition to the total resources available for capital formation but has also provided essential foreign exchange resources in a country dependent on foreign resources for essential capital equipment, industrial raw materials and even food stuffs in times of food shortage due to natural calamities and failure of crops. The total amount of foreign aid and loans (from 1951 to 1956) which was actually utilized constituted about 15 per cent of the total foreign exchange receipts on current account during the period (9).

An analysis of the impact of foreign economic assistance on the economy has to make careful distinction between "allocation", "obligation" and "utiliz-

ation" of aid since it is only the last aspect of which effects can be analysed. The allocation is made when the aid-giving country decides to commit itself to grant to a certain country a certain amount of aid, specifying the form in which aid is to be given. This becomes an obligation on the part of the donor country only when actual written agreements for specific projects are entered into, specifications are drawn up, tenders are called, technical scrutiny of tenders and placing of orders take place. Utilization occurs when goods and services actually arrive and are used in a particular project. There seem to be bottlenecks and time-lags at each stage of the operation, as revealed by the following table which shows the lags and effects of bottlenecks in terms of each of the various types of assistance up to December, 1956 (6, p. 9).

	Obligation as a percentage of allocation.	Utilization as a percentage of obli- gation.
Project Assistance	77.12	54.9
Technical Assistance	90.9	47.0
Commodity Aid	92.89	87.7
Relief Assistance	92.8	100
Credit and loans	65.2	100

Bottlenecks seem to be greater in the sphere of utilization of aid than in the field of obligation. In the latter case the bottleneck is due to the absence of ready-made and carefully worked out plans and projects which are economically and technically feasible. The detailed technical and market studies, careful scrutiny of plans from the point of view of cost benefit analysis or input-output flows are accomplishments which are difficult to attain readily in an underdeveloped economy. The amount obligated has constituted a significantly smaller percentage of the amount allocated in the case of credit and loans than in the cases of various forms of aid, since the lending countries or agencies insist strictly on the ability of borrowing countries to meet satisfactorily these specific requirements and criteria. The inadequacy of administrative and technical skill and organization is also reflected in big shortfalls in the utilization of aid. In the case of project assistance, commodity aid and technical assistance, about half the amount obligated has on the average been utilized. However, if we compare the relative figures for "allocation and utilization" of various forms of aid for the period prior to June, 1955 with those in subsequent years, a gradual improvement in the degree of utilization of aid seems to have taken place in the latter years.

#### DEGREE OF UTILIZATION OF FOREIGN ECONOMIC ASSISTANCE (6)

	Total amount utilized as a percentage of total amount allocated up to June 30th, in years 1955, 1956, 1957)		
	1955	1956	1957
Total Assistance	49.1	62.6	72.6
Project Assistance	32.4	42.6	66.1
Technical Assistance	50	43.1	66.5
Commodity Aid	11.1	54.6	65.9
Relief Assistance	85	100	99
Credit and loans	58.5	63.3	63

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It is necessary at this stage to examine the nature and implications of each of the types of economic assistance. The percentage of distribution of the total foreign assistance up to December, 1956 between various types is as follows: (6, p. 9).

Project Assistance	22
Commodity Assistance	31
Technical Assistance	7.7
Relief Assistance	21.5
Credit and Loans	17.8

It is remarkable that quite a large percentage of total aid and loans, almost equal to project assistance, is constituted by relief assistance which does not directly make any contribution to long-run economic development. If only aid, rather than aid and loans together, is considered the relative importance of relief and emergency aid would be much greater. It is also noticeable that commodity assistance is of much greater importance than project assistance. Project aid directly assists specific development projects by procuring or financing the procurement of equipment and material required to be imported. It also provides technical assistance in connection with the specific project. Commodity aid has been mainly intended for the import of industrial raw materials and equipment and for the acquisition of surplus agricultural commodities available under the U.S. Agricultural Trade Development and Assistance Act. Commodity assistance takes two forms: (a) grants-in-aid provide for the purchase of commodity imports which are then sold to private parties in Pakistan, and the deposits of these resultant rupee sales proceeds generate rupee counterpart funds which are then used for internal financing of development projects and for meeting defence requirement by the mutual consent of the representative of Pakistan Government and I.C.A. Director of U.S. Mission in Pakistan; (b) aid given directly in the form of surplus U.S. agricultural commodities which are sold by the Pakistan Government to the private parties. The rupee funds thus received from their sale are used in the following manner: (a) 65 per cent of the total proceeds go to finance Pakistan's defence effort; (b) 20 per cent are used to finance the U.S. Government rupee purchased in Pakistan; and (c) 15 per cent are used as loans to Pakistan development projects (18, p. 43).

A study of the composition of U.S. aid to Pakistan, as compared with aid from all countries taken together, shows that commodity aid is of much greater importance relative to project assistance in the case of the U.S. than in the case of other donor countries (10).

	Aid from all countries (Percentage Distribution; up to September, 1956)	U.S. Aid
Project Assistance	22	16.3
Commodity Assistance	31	45
Technical Assistance	7.7	8.4
Emergency and Relief Assistance	21.5	28
Credit and loans	17.8	3.3

An analysis of the composition of U.S. commodity aid, excluding sales of

surplus agricultural commodities, reveals that in the financial year 1956, 24.4 per cent of the aid consisted of agricultural commodities and 42.5 per cent consisted of industrial raw materials; capital equipment constituted the rest. Agricultural commodities, therefore, constituted quite a large part of total commodity aid to Pakistan. Industrial raw materials have been useful in allowing full and continuous operation of the existing industries. In periods of stringency of foreign exchange resources availability of aid to finance imports of raw materials and consumer goods enabled the maintenance of a higher level of importation of capital equipment than would otherwise have been possible. Over the period as a whole, in so far as a large part of U.S. aid was in the form of commodity aid (namely agricultural commodities and other industrial raw materials) Pakistan's own resources could have been used in the importation of capital equipment for her industrialization programme. A study of the pattern and composition of Pakistan's imports suggests an increasing importance of capital imports in recent years.

TABLE 3. COMPOSITION OF IMPORTS (4, 17)<sup>a</sup>  
(Percentage Distribution)

Total	Consumption goods	Materials chiefly for consumption goods	Total	Capital goods	Materials chiefly for capital goods
1951			46.9		18.3
1952			48.2		24.3
1953	25.5	24.2	49.7	33.2	50.3
1954	21.2	20.7	41.9	43.9	58.1
1955	22.0	17.5	39.5	44.0	60.5
1956	27.6	14.7	42.3	39.1	57.6

The proportion of materials intended chiefly for capital goods and that of capital goods has recorded a significant increase since 1951.

Since commodity aid includes sales of U.S. surplus agricultural commodities, a large portion of the latter is not aid in the proper sense of the term but loans from the point of view of the internal economy of Pakistan. Another part of the sales of U.S. agricultural surplus is only a payment for the goods and services procured by the U.S. Government in Pakistan. The disposal of commodity aid in the form of sales to private persons (users or importers) provides rupee funds in the hands of the government and thus helps in the mobilization of internal financial resources for financing development projects. Provision of aid in the form of foreign exchange accruing to the State Bank of Pakistan, for example, would have resulted in the creation of money against the augmented exchange resources, or rather against what is left of additional foreign exchange after meeting the immediate import requirements. It is not only that no increase in money supply takes place in the process of direct utilization of commodity aid but on the contrary there is a mopping up of surplus funds from the economy. The fact that the immediate process of utilization of commodity aids helps in mobilizing in-

<sup>a</sup>Imports for 1951 and 1952 are divided into only two broad categories.

ternal resources does not, however, forestall or prevent the generation of inflationary forces from other sources, including the financing of projects associated with or related to the aid-receiving projects or programmes.

Commodity assistance in the form of agricultural commodities has a special relevance in an underdeveloped economy like Pakistan where a large amount of development expenditure and increasing urbanization have led to an increase in demand for food and agricultural commodities and has tended to cause inflationary pressure in the face of short-run inelasticity of supply in agriculture, and to jeopardize the development programme. Under the circumstances commodity assistance may provide temporary relief while supply conditions in agriculture are improved and agricultural production is increased to meet enlarged industrial and consumption demand. It can thus help to maintain the *tempo* of the development programme. Care, however, has to be taken to ensure that the disposal of any agricultural surplus shall not depress unduly the local prices of such commodities so as to serve as a disincentive to increased production. Due regard has to be paid to the price structure as a whole so that price in one sector may not get out of line with price in another sector and thus disturb sectoral balance in production. Prices of agricultural commodities bear relation to cost and prices of manufactured goods which the agriculturists buy, and into the production of which agricultural output enters as an input. A fall in the prices of agricultural commodities, consequent on increased commodity assistance, may create adverse terms of trade for agriculture and depress the demand for other products. In the case of Pakistan, agricultural surpluses were mainly received at times of shortages and at other times they did not constitute so significant a part of the total supply as to push the price appreciably below normal. An almost static level of internal agricultural production in Pakistan has been mainly due to inadequate investment of a nature capable of yielding quick results, and to organizational obstacles to progress, including inadequate access to and acceptance of improved methods of production. The remedy seems to be not in price increases which have been significant but in a reorganization of technique and methods on the supply side. Recurrent food crises necessitating food aid from abroad might have been partially alleviated if the counterpart funds created out of sales proceeds of agricultural commodity aid had been earmarked for investment in agriculture only.

Technical assistance, mainly in the form of expert advisory services and training facilities abroad, aims at building skill in Pakistan and can make its effects felt only slowly. It is an open question whether establishment of training institutes manned by foreign experts (with a positive policy of replacing foreign experts with local personnel within a definite time limit) is not a better or less expensive method of imparting skill in many fields. The technical expert actually doing a job in Pakistan as in any other underdeveloped country has not only to be a technical expert in his special field but has to have additional qualifications to work in an alien atmosphere with



alien people, adjusting to a certain extent his habits and methods of work and sometimes even technique. He has to have the diplomatic skill to have himself accepted among the people he wants to teach and whose confidence he wishes to gain. Experience also shows that the best results are obtained where foreign technicians work conjointly with local counterparts who already have some training in modern methods and techniques.

Project assistance involves provision of both capital equipment and materials and even technical assistance needed in association with the former for the establishment and operation of particular development projects. The percentage distribution of such aid in various projects is seen as follows (11).

Irrigation and Power Projects	58.5%
Transport and Communications	16.1%
Industries and Mining	10%
Agriculture and Fisheries	5.5%

The primary stress is on social overhead projects which generate external economies and provide the basis for the establishment of directly productive projects. They need a large amount of capital investment and take time to mature and yield results.

To assess the impact of foreign economic assistance, it may be necessary to analyse the sectorwise distribution of the total investment programme in the economy of Pakistan. Since such a breakdown of investment in the private sector is not available, we can analyse the sectorwise distribution of the investment programme in the public sector. The sectorwise distribution of the foreign aid funds is available only in so far as project assistance is concerned. The commodity assistance, in so far as it took the form of industrial raw materials and capital equipment, was distributed between different development projects, and similarly in the case of technical assistance. Consequently it can be stated that these other forms of assistance contributed to this particular pattern of distribution of investment programme in the public sector which is seen as follows (5):

TABLE 4.  
(Percentage Distribution)

	1955-56	1956-57	1957-58
1. Agriculture and rural development	10.40	13.70	21.4
2. Water and power development	30.45	30.00	30.0
3. Industry, fuels and minerals	14.10	13.08	14.0
4. Transport and communications	25.60	26.40	20.0
5. Housing and settlement	11.80	10.00	8.0
6. Education and training	4.60	4.70	4.7
7. Health	3.05	2.12	1.4
8. Social welfare and other sectors			
Total absolute amounts (Mill. rs.)	722	1,048	1,400

Water and power development along with transport and communications constitute over half the total investment programme. There has lately been a relative increase in expenditure on agriculture and rural development — the most important and largest sector of Pakistan's economy — at the cost of a relative decline in transport and communications and social services. The



relative importance of industrial investment has been more or less constant. The recent increase in relative importance of agricultural investment has been due to a realization that recurrent food shortages such as have been occurring in the last few years threaten to jeopardize the whole development programme. A comparison of the sectorwise distribution of the foreign project assistance with the sectorwise distribution of the total public investment programme shows that the order of importance of various sectors is broadly similar in both the programmes. In the later years the utilization of foreign aid funds has been integrated with the overall plan of public investment. Over the whole period, projects which received foreign aid funds received at the same time priority in the public investment programme. The specific projects for foreign assistance are agreed upon by mutual consultation between the Government of Pakistan and the aid-giving agency. Usually almost all the aid programmes involve corresponding expenditure of rupee funds and involve a corresponding commitment on the part of the Pakistan Government to invest in them.

Since with the kind of data available it is difficult to isolate the specific contributions of various forms of economic assistance to various sectors of the economy, a general idea of its role may be obtained from a study of the growth of the various sectors of the economy since the inception of the foreign aid programme.

TABLE 5. SECTORWISE GROWTH OF NATIONAL INCOME AT CONSTANT PRICES.  
(Million Rs. Prices: Average of 1949-50 to 1952-53) (3)

Major Sectors	1949-50	1953-54	1954-55	1955-56	1956-57	% Increase since 1949-50
Agriculture	10,462	11,663	11,630	11,225	12,122	(16%)
Mining	23	36	39	43	46	(100%)
Manufacturing	1,191	1,750	1,923	2,189	2,347	(97%)
Transport and communications	442	536	546	565	583	(31.9%)
Services	1,473	1,639	1,672	1,705	1,727	(17%)
Wholesale and retail trade	1,607	1,851	1,871	1,851	1,997	(24%)
Per capita national income	232	243	244	237	249	(7.3%)

The national income of Pakistan increased by 20 per cent between 1949-50 and 1956-57. The income from the agricultural sector increased by about 16 per cent whereas income from the industrial sector increased by about 97 per cent. The poor performance of agriculture is striking in view of the large investment (including investment of foreign aid funds) on water and irrigation projects. These schemes have not been well-integrated with direct investment in increasing agricultural production. The absence of successful flood control measures has adversely affected agricultural production, necessitating imports of foodgrains. A greater emphasis on agricultural investment designed to increase agricultural production in the near future is called for

and has been recognized in the financial version of the Five Year Plan (7)<sup>a</sup>. Moreover, there have been years when income from agriculture declined as in 1955-56 compared with 1954-55. Since agriculture constitutes the largest sector of national economy, total national income also registered a decline at the same time. All the other sectors have undergone more or less a continuous increase, mining registering the largest increase.

The economy of Pakistan during all these years has been labouring under inflationary pressure which has been accentuated in recent years and has eaten up consequently a large part of the gains in output. Deficit financing in the government sector has been an important source of increase in money supply. The relative importance of various sources affecting money supply can be seen as follows:

TABLE 6. CAUSATIVE FACTORS AFFECTING MONEY SUPPLY (7).

	1953	1954	(Crores of Rs.) 1955	1956	1957
Increase in money supply	+33.58	+25.95	+56.71	+55.14	+31.30
Causative factors:					
Expansion (+)					
Contraction (-)					
1. Government sector	+24.14	+45.48	+18.39	+59.76	+93.07
2. Accumulation of counterpart deposits	-	-	- 9.02	-28.92	-31.57
3. Domestic private sector	- 6.72	-11.95	+22.56	+12.70	- 8.44
4. Foreign sector	+ 9.93	- 9.63	+25.17	+ 8.99	-23.82
5. Other items	+ 2.23	+ 2.05	- 0.39	+ 2.61	+ 2.06
	+33.58	+25.95	+56.71	+55.14	+31.30

As mentioned earlier and as shown in the above table the counterpart funds generated by foreign aid programmes have mopped up to a certain extent the increase in money supply. The inflationary pressure exercised on the economy, under the circumstances, may be gauged from a comparison of the rate of increase of money supply with the rate of increase in national income at constant prices.

<sup>a</sup>A comparison of the relative importance of the various sectors in the Five Year Plan compared with that in the "Two Year Priority Programme" drawn up previously in 1951-53 can be seen in the following table. This represents a considerable shift of emphasis to agriculture in the Five Year Plan:

PATTERN OF DEVELOPMENT EXPENDITURE  
(Percentage Distribution)

Two-Year Priority Programme 1951-53				Five Year Plan 1955-60			
Agriculture	..	..	2.1	Agriculture and rural development	..	..	16.1
Fuel and power	..	..	24.8	Water and power development	..	..	28.8
Industry and mining	..	..	48	Industry and mining	..	..	17.4
Transport and communications	..	..	25.1	Transport and communications	..	..	17.8
				Housing and settlement	..	..	9.2
				Education and training	..	..	6.2
				Health and social welfare	..	..	4.5
			100				100

TABLE 7. MONEY SUPPLY AND NATIONAL INCOME (15)<sup>a</sup>

	Average Level of Money Supply (Crores of Rs.)	Expressed as a per- centage of 1950-51	National Income (Crores of Rs.)	National Income (2 Year Moving Average) <sup>c</sup>	Expressed as a per- centage of 1950-51
1949-50	267.6	92.1	1723.8	—	—
1950-51	290.5	100.0	1832.4	1751.2	100.0
1951-52	342.4	117.9	1816.1	1826.3	104.4
1952-53	324.9	111.8	1848.2	1864.4	106.5
1953-54	247.9	119.8	1944.7	1930.9	110.3
1954-55	370.3	127.5	1985.7	1967.0	112.3
1955-56	412.4	142.0	1951.6	1991.9	113.8
1956-57	470.3	161.9	2078.5	2030.7	115.9

It is obvious from above that while between 1950-51 and 1956-57 national income rose by about 16 per cent money supply increased by 62 per cent. In view of the inflationary bias in the economy and stagnation in agricultural income, hoarding of money has probably not been important. It seems likely, therefore, that the increase in money supply roughly corresponds to the increase in money expenditure. Even assuming a reasonable rate of monetization of the economy, increase in money supply seems quite out of proportion with the increase in output.

In assessing the net impact of foreign aid on economic development, it is necessary to recognize that the annual inflow of foreign aid has been to a certain extent offset by a fall in the value of export proceeds. The value of Pakistan's visible exports has declined in all but one of these years as compared with the corresponding previous year (Table 1). Export instability is an endemic phenomenon in all the primary exporting countries. In Pakistan the quantum of exports has undergone an average year-to-year fluctuation to the extent of 13.4 per cent. The average year-to-year fluctuation in total value of exports has been greater still, i.e. 18.2 per cent because of a larger percentage fluctuation in unit value of exports (15.9 per cent) than in the quantity of exports (16)<sup>b</sup>. The index of terms of trade has also recorded a more or less continuous decline since 1950-51 (except in 1954-55 when there was a small rise) (Table 1). The decline in the terms of trade implies a deduction from the real national income and hence from the amount of resources available for capital formation. Consequently the decline in the terms of trade has partially offset the addition to available resources made by the inflow of foreign aid.

The inflow of foreign aid to Pakistan over these years has been mainly decided on an annual basis. Until the last moment considerable uncertainty hinges round the availability and magnitude of such aid determined as it is

<sup>a</sup>Since national income figure is calculated on a fiscal year basis and includes production during the year as income of that year, agricultural crop produced in one fiscal year is consumed and hence affects availability and price in next year. To obviate this difficulty, two year moving average of national income has been taken.

<sup>b</sup>Year to year fluctuation is calculated by taking the change from the previous year to the present, as a percentage of the present year.

in the case of U.S. by the elaborate legislative processes of the U.S. Congress. Economic development, however, is not an annual event. It is a continuing process and long-term development planning needs forecasting with a reasonable degree of certainty the amount of foreign economic assistance which will be forthcoming. It is necessary for a fruitful utilization of foreign aid funds that the donor countries enter into some sort of long term commitment, on the basis of a plan of economic development, regarding the future amount and timing of assistance. In the first Five Year Plan, aid and loan are expected to cover 35.3 per cent of the estimated resources available for development. Such a large and significant dependence on foreign economic assistance places the plan on a precarious basis. A shortfall in the availability of such external resources in the absence of a long-term commitment with a reasonable degree of certainty may seriously upset or throw out of gear the execution of the plan as regards both its magnitude and the steadiness of the rate at which it proceeds from year to year. This is specially important when account is taken of the wide range of fluctuations in Pakistan's exchange receipts and the limited scope for squeezing her imports at times of stringency.

The inflow of foreign economic assistance would help to accelerate the pace of economic development in so far as it leads to a rise in, or acceleration of, the rate of domestic savings and investment. It is necessary, therefore, that inflow of foreign aid and its utilization should cause a sufficient increase in income leading to a marginal rate of savings higher than the average rate of savings. The achievement of a higher marginal rate of saving is a function of (a) adequate and sustained flow of foreign economic assistance relative to the increasing population so as to increase not only the total national income but also *per capita* income, and (b) necessary domestic efforts, institutional and otherwise, to siphon off the increment in income and channel it into saving and investment. Over the period as a whole (1949-50 to 1956-57) an increasing population has eaten up much of the increase in total national income. While total national income increased by 20 per cent in this period, income *per capita* only increased by 7.3 per cent. Public and private investment as financed by both domestic savings, external loans, aid and private foreign investment, constituted according to one estimate only 6.2 per cent and 7.5 per cent of national income in the years 1955-56 and 1956-57 respectively (8). Gross private saving constituted 5 per cent of gross national product in 1954-55 (4, p. 147). This compares rather unfavourably with the rates of capital formation which prevailed in other countries in periods of accelerated or sustained economic growth. On the basis of historical experience, Prof. Rostow offers a rough generalization that the take-off into a self-sustained process of economic growth is associated with an increase in the rate of productive investment from 5 per cent of national income to 10 per cent or more (12). Consequently the net impact of foreign economic assistance in terms of standard of life for the average person has not been felt to any appreciable extent. On the other hand, the fact of foreign economic assistance has been widely publicized among the people, both by the donor countries

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and Pakistan, such publicity in the case of U.S. aid being specifically provided for in the terms of aid-agreement between the respective governments. The result has been that it has roused expectations — sometimes exaggerated — of an improvement in the standard of living. The social and political implications of public expectations — roused and deceived — may not be conducive to stability. Insufficient, sporadic and unsustained aid may create precisely such a situation. Fluctuations in well-being and hope roused and deceived may seem under the circumstances more dangerous than unalloyed poverty. However, insufficiency of aid in the context of Pakistan would refer not so much to the insufficiency of aid which has been committed as to the inadequacy of aid which is utilized, since the former, as mentioned earlier, has over the period as a whole exceeded the latter by a wide margin.

While on the subject of foreign economic assistance as a factor in economic development, it is worth mentioning the role by private foreign investment which serves both as (a) a source of foreign exchange to the recipient country and (b) also an addition to the total domestic resources available for financing investment and capital formation. Public economic assistance may create conditions favourable to the operation of private enterprise by establishing the basic pre-conditions of an industrial economy and by providing social overhead with consequent external economies. The inflow of private foreign enterprise is also influenced by the policies of the host country regarding nationalization, repatriation of capital, remittance facilities, credit and commercial and fiscal policies etc. which affect the profitability of private enterprise *vis-a-vis* public enterprise. Intergovernmental foreign economic assistance, by providing resources in times of need, may delay actions or detract from the sense of urgency regarding the creation of an atmosphere and objective conditions for the attraction of private foreign enterprise. Total inflow of private foreign capital to Pakistan during the seven years ending mid-1957 has been of the order of \$27.8 million (1)\*. In recent years there have been a few companies operating in the field of oil exploration and related fields, often with joint participation of Pakistan capital. This is reflected in the increase in the total capital issues sanctioned to companies with foreign participation to Rs. 114.8 million (approximately \$22.9 million) in 1956 as against Rs. 58.2 million (\$11.6 million) in 1955 and Rs. 19 million (\$3 million) in 1953 (14). The total cash amount of foreign investment has been small notwithstanding guarantees for repatriation of capital and for equitable compensation in case of nationalization. It would seem probable that lack of adequate social overhead facilities combined with general political instability in this part of the world has exercised a dampening influence. The counter-attraction of profitable investment opportunities elsewhere, including the U.S., has been no less important.

In evaluating the net addition to total resources for development made by foreign economic assistance it is necessary to make certain adjustments. First-

\*The figure relates only to cash foreign private capital inflow. There has been a certain amount of inflow in the form of capital equipment and materials imported by foreigners.



ly, agricultural commodities supplied to Pakistan under the aid programme from the U.S. Commodity Credit Corporation (U.S. Government agency holding stocks under the price support scheme) are valued at prices higher than their world prices. Secondly, in so far as the counterpart funds created against the U.S. Commodity Aid are utilized for meeting the expenditures of the U.S. mission in Pakistan as well as for other expenditures of the U.S. Government there is a net reduction in the amount of resources available to Pakistan from foreign aid sources. It is remarkable that Pakistan's invisible receipts on account of the U.S. Government declined from Rs. 8.20 million in 1955-56 to Rs. 0.6 million in 1956-57 (13). Five per cent of the counterpart funds created (a) against Commodity Aid, and (b) against the rupee deposits made by the Pakistan Government to meet the rupee costs of agreed projects under Project Aid, accrue to the I.C.A. mission for meeting rupee expenditure on the administration of aid programme and other local needs of the mission (11, p. 16). Twenty per cent of the rupee sale proceeds of the U.S. surplus agricultural commodities sold in Pakistan are utilized to finance U.S. Government purchases in Pakistan (18, p. 43).

To put the U.S. economic assistance to Pakistan in a proper perspective it is necessary to mention that the latter country has been one of a number in Asia which have been the recipients of both economic and military aid from the U.S. It is also remarkable that strict separation has not been maintained between economic and military assistance to Pakistan. For example, part of what passes as U.S. economic assistance i.e. Commodity Aid and sales of surplus agricultural commodities is utilized for defence purposes. The rupee counterpart funds generated against Commodity Aid and sales of U.S. agricultural commodities contribute partly to the cost of defence requirements. This admixture of military and economic assistance has partly militated against an objective appraisal of the foreign aid programme on strictly economic grounds. The public reaction to and support for the acceptance of foreign aid and its utilization has been partly governed by the public reaction to the military alliances and military aid, which are invariably mixed up with political and strategic considerations. It is also noteworthy that defence expenditure continues to make a heavy drain on the internal resources of the country. The proportion of defence expenditure to the total expenditure of the Government and total national income is seen below:

PAKISTAN (16)

Year	Proportion of Defence Expenditure to Total Expenditure	Proportion of Defence Expenditure to National Income.
1953/54	42.4	3.44
1954/55	40	3.44
1955/56	41.58	4.20
1956/57	38.67	4.37
1957/58	30.5	—

It may be interesting to compare the relative burden of defence expenditure on the economies of other countries in Asia which have been the recipient of U.S. military aid.



## PHILIPPINES (16)

	Proportion of Defence Expenditure to Total Expenditure	Proportion of Defence Expenditure to National Income.
1953/54	20.3	—
1954/55	17.3	2.15
1955/56	17	2.07
1956/57	14.8	1.96
1957/58	14.8	—

## THAILAND (16)

1953	19	3.22
1954	18.1	3.70
1955	16.5	2.37
1956	14.4	
1957	12.3	

As is obvious from above, defence expenditure constitutes a larger proportion of the total expenditure of the Government as well as a larger percentage of the total national income in Pakistan as compared with the other countries.

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A NOTE ON  
"FOREIGN AID AND ECONOMIC DEVELOPMENT"

By

LLOYD BEST

So far as Mr. Islam's case study of foreign aid in the Pakistan economy is descriptive of events there in the recent past it provides a fresh base from which to consider existing theory of the role of international transfers in the development process. One feels on reading the paper that in this lies, perhaps, its main merit. However where Mr. Islam's description borders on theoretical interpretation the exposition is somewhat unrigorous and his conclusions are not always mindful of the covert assumptions which limit their meaning.

The paper makes two major sets of distinctions, one healthy, the other spurious.

The first of these distinctions is between the 'allocation', 'obligation' and 'utilization' of aid by donor and recipient countries respectively. This is an entirely valid distinction which points once more to the limitations existing in an underdeveloped economy on effective expression of the demand for capital which is known to exist. It is too, a salutary reminder to politicians whose quotations are often unaware of these three stages in the transfer process.

But more important to economists, if, unfortunately, less acceptable to them, is the distinction which Mr. Islam draws between different types of aid transfers.

In defence of Commodity Aid as against transfers of foreign exchange (or gold) one reads: "Provision of aid in the form of foreign exchange accruing to the State Bank of Pakistan, for example, would have resulted in the creation of money against the augmented exchange resources, or rather against what is left of additional foreign exchange after meeting the immediate import requirements. It is not only that no increase in money supply takes place in the process of direct utilization of commodity aid but on the contrary there is a mopping up of surplus funds from the economy."

Subhomed here are two assumptions, that, first, a monetary transfer of gold or foreign exchange which is not matched by the exercise of counter-part claims on foreign goods, is in some sense, a completed, "utilized" transfer, and second, that if there is a time lag between the transfer of claims on foreign goods and the utilization of these claims, the Central Bank would necessarily, in the intervening period, allow the money supply at home to vary with the increase in its holding of foreign exchange.

If the recipient planners are not abreast of "allocation" developments in the donor countries and neglect to make orders of goods to the value of the

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exchange receivable, or if, in spite of their orders, delivery dates and payments are retarded beyond the date of receipt of the foreign exchange there is no direct *real* transfer. This consideration would seem to invalidate Islam's first assumption. Yet there is a further consideration which makes his assumption seem less unrealistic.

If the transfer of foreign exchange alters the day-to-day rate of exchange\* of the receiving country to its benefit so that the real purchasing power of its foreign earnings is higher than it would have been in the absence of the transfer, then there is still some measure of real, if indirect, transfer. But even so, until the receiving economy has benefited to the full extent of the real value of the foreign exchange allocated to it by the donor country the transfer will not have been completed.

But once the monetary transfer has been made and there is a time lag before it is utilized for the payment of goods bank policy becomes important.

If the transferred foreign exchange accrues to the Central Government which banks with the Central Bank possibilities of secondary expansion depend on (a) the extent to which the Central Government uses its increased holding of foreign exchange as a basis for increased spending, and (b) the extent to which the Central Bank uses the increased holding of foreign exchange as a basis for increasing the money supply.

The first of these two possibilities is an extremely unlikely one if the terms of the aid agreement commit the receiving Central Government to spend the funds on goods from abroad. If the aid comes at a time in which depressive factors are operating on the day-to-day exchange rate of the receiving country it is even more unlikely that the Central Government will engage in increased expenditure, since it will need to maintain a high level of foreign exchange to stabilize the exchange position.

The second possibility is also highly unlikely unless the Central Bank is committed to a Gold Standard type of mechanism under which it is forced to buy securities and release cash when its foreign exchange reserves increase. In a situation in which the exchange rate is under pressure, no responsible Central Bank will release cash for fear of generating increased import demand and aggravating the position.

So then the possibilities of expansion remain limited to a situation in which foreign exchange reserves rise as a result of aid, the exchange rate is buoyant and the Central Bank is more or less "responsive" to an increase in the reserves.

Now if the aid accrues to private individuals or is given to these by the Central Government, the possibility of secondary expansion is widened, for now in the process of transfer of funds to private individuals the cash holdings of the commercial banks with the Central Bank will rise by the amount of the deposits accruing to individuals, and this may be used as a basis for increased advances and loans. But this can only happen if the demand for

\*Mr. McIntyre has drawn my attention to the fact that a rise in the day-to-day exchange rate may be accompanied by an inflow of funds (probably short-term speculative, "hot") causing perhaps repercussions on the rates of interest, on investment, bringing them further gain.

money at existing interest rates exceeds the supply. Or alternatively, if the increase in the reserves affects the interest rates (downward).

So then a number of supporting assumptions are necessary to move from a transfer of foreign exchange to a recipient country to an expansion of the money supply there. Mr. Islam needed to intimate what conditions he is assuming to be present when he considers an aid donation in the form of gold or foreign exchange.

If now we turn to consider his analysis of the impact of commodity donations on the Pakistan economy we read: "Care, however, has to be taken to ensure that disposal of agricultural surplus may not depress unduly the local prices of such commodities so as to serve as disincentive to increased production. Due regard has to be paid to the price structure as a whole so that price in one sector may not get out of line with price in another sector and thus disturb sectoral balance in production. Prices of agricultural commodities bear relation to cost and prices of manufactured goods — which the agriculturists buy and into the production of which the agricultural output enters as an input. A fall in the prices of agricultural commodities, consequent on increased commodity assistance, may create adverse terms of trade for agriculture and depress the demand for other products."

It is entirely valid to assume that the sale of commodities has immediate price effects on the system but it is essential to carry the analysis further. Abstracting from considerations of substitutability between aid commodities and local goods — a procedure which Mr. Islam has omitted to state he was following — two immediate income effects arise from the sale of aid commodities.

The first of these is inherent in the price effect to which Mr. Islam draws attention. For the fall in the price of, say, agricultural goods, arising from the sale of similar aid goods, serves effectively to increase the real purchasing power of those who consume these goods and to the extent that this leads to an increase in the demand for other goods, it does not follow that total demand in the economy will fall. Indeed, unless there is saving, the demand curve in the manufacturing sector and/or the importing sector shifts upwards, price rises according as the elasticity of supply is small, and the incomes of manufacturers go up. Depending on the income elasticity of demand of manufacturers for agricultural goods there may well be a further effect on the demand for agricultural goods with consequent price changes. If as a result of the favourable income effect on consumers of agricultural goods in the first place it is the demand curve of the importing sector which shifts upwards, the induced effects on manufacturers' incomes and perhaps further through to agriculturists will be lessened and instead there may be adverse effects on the balance of payments and the terms of trade. Subsequent measures to correct these difficulties may serve to inhibit growth.

The second primary income effect arising from the sale of aid commodities is the increase in government revenue. So far as Mr. Islam deals with the monetary effects of this he seems to believe that "there is a mopping up of surplus

funds from the economy". This can only mean that deposits and cash in the hands of members of the private sector are now reduced. The government now has a larger ownership. With these funds it may now do any or all of five things. First, it may repay earlier loans from the Central Bank. Secondly, it may repay earlier loans from the commercial banks. Thirdly, it may repay some of the public debt. Fourthly, it may spend — according as its marginal propensity to spend is high or not. Fifthly, it may save.

The first and fifth alternatives need no secondary effects unless the Central Bank as the government banker feels itself obliged to maintain a fixed relationship between its liquid and loan assets. The second and third alternatives open possibilities of secondary expansion by increasing the liquidity of the private sector, and in the process, by expanding the holdings of the commercial banks of cash in the vaults of the Central Bank. Both the commercial banks and private individuals may use their funds now to finance consumption or investment. The fourth alternative will have the direct effect on the economy of increasing the demand for goods, locally produced or imported, with the same effects on other sectors and the balance of payments position as the first primary income effect we have noted; and also, it will have the indirect effect of increasing the cash holdings of the commercial banks with the Central Bank, government banker, and so create a prerequisite condition to monetary expansion.

In his case study, Islam has not let us into the secrets of government reaction to its increased income from sales nor has he conducted a full and complete analysis of the direct impact of commodity sales on prices, incomes and output. As a result little new light is thrown on the role of foreign aid in economic development.

### A REJOINDER

By

NURAL ISLAM

Mr. Lloyd Best's comments relate mainly to the validity and rationale of the distinction drawn in my paper between commodity aid and aid in the form of direct transfer of foreign exchange. As a matter of fact the main distinctions drawn in my paper between different forms of aid relate not to this but to the more important distinctions, at least for the purpose of the paper, between "project assistance" technical assistance, commodity aid, relief assistance, and credit and loans. The distinction which Mr. Best makes the basis or the focal point of his comments was made only incidentally, since the focus of the article was directed not to the detailed process of the monetary mechanism of transfer of foreign capital or aid, on which Mr. Best seems to concentrate his attention, but to the impact of foreign aid on the long-run growth of the economy in terms of (a) the extent to which foreign economic



assistance made a net addition to the amount of total resources available for domestic development expenditure, and (b) its utilization in different sectors of the economy and its relation or contribution to the growth or development of these various sectors in the peculiar circumstances of Pakistan's economy. This, however, did not in any sense imply a suggestion on my part that the implications of the monetary aspects of transfer mechanism are unrelated to long-run growth, though admittedly inadequate attention was given to this in my paper.

Mr. Best has given a detailed account of the monetary implications of transfer mechanism. Regarding his specific questions on the direct transfer of foreign exchange, I agree with Mr. Best that the possibility of monetary expansion is more likely when foreign exchange accrues to private individuals and when consequently cash holdings of the commercial banks expand. This is what I had in mind in making the statement quoted by Mr. Best. If such a transfer of foreign exchange to private individuals *at all* takes place the possibility of monetary expansion cannot be ruled out in the context of an economy like that of Pakistan, where with an active demand for bank credit from the commercial and trading section (including speculative hoarding and real estate speculation), bank-financed private spending seems to have added to the inflationary forces generated by deficit financing in the public sector. It may also be mentioned incidentally that in so far as foreign aid-financed investment projects involved, in addition to imported materials and equipment, expenditure on local resources, there was a creation of a demand for funds to meet this local expenditure. From available statistics it is not possible, however, to distinguish or verify whether or how much of this local expenditure was met by saving as against new credit creation. However, in point of fact, most of the foreign aid funds arriving in the various forms mentioned above were utilized in the public sector and were spent directly on the procurement of goods from abroad. It may also be mentioned that the distinction between direct transfer of foreign exchange and commodity aid in terms of its effects on the initial impact on money supply would vanish if foreign exchange accruing to the government in the first instance is sold against domestic currency to private individuals.

Mr. Best's main comments on commodity aid seem to be on the absence in my paper of an analysis of the "secrets of government reaction to increased income" from sales of aid commodities. However, the answer to this question is given in my paper and has unfortunately escaped the notice of my critic. As discussed in the original paper the government adopts the fourth alternative listed by Mr. Best and spends the increased income from the sales of aid commodities in the following manner. The proceeds of that part of commodity aid which is not negotiated under the U.S. scheme of disposal of surplus agricultural commodities are spent on the financing of development projects and on defence projects. The proceeds of the sales of U.S. surplus agricultural commodities are spent to the extent of 65 per cent on defence, 20 per cent on U.S. Government expenditure in Pakistan, and the



remaining 15 per cent on loans to development projects in Pakistan. In so far as it is spent for defence purposes, it results in a diversion of private expenditure away from domestic consumption and releases resources which could be devoted to defence production. In terms of effects on aggregate demand on resources it is similar to tax-financed defence expenditure. Expenditure of sales proceeds on development projects would enlarge the future supply of consumption goods. Payment of sales proceeds to the U.S. mission in Pakistan for meeting the latter's expenditure in Pakistan is tantamount to a purchase of goods and services in Pakistan by foreigners in exchange for commodities supplied under the aid programme. As a matter of fact, this is no more aid proper but trade only. If the U.S. Government expenditure was not met out of these sales proceeds the U.S. Government would have purchased rupees in exchange for dollars, thus increasing not only the foreign exchange resources of the Central Bank but also the cash reserves of commercial banks.

The next important point raised by Mr. Best relates to the price and income effects resulting from the initial price changes consequent on the sale of agricultural aid commodities. This can be treated both theoretically and factually in the context of Pakistan's peculiar circumstances. The statement quoted by Mr. Best from my paper seeks to explain what type of price effects may theoretically follow in a hypothetical situation. This is immediately followed by a rather summary description of what may have happened in Pakistan. If consequent on the sales of aid commodities the prices of agricultural commodities fall, the money income of the agricultural sector falls and as a result the demand for the products of the non-agricultural sector on the part of the agricultural sector falls. This would lead to a fall in price in the non-agricultural sector, the extent of such a fall depending upon the elasticity of supply of the non-agricultural sector. This would in turn depress the demand of this sector for the products of the agricultural sector and so on. This process of downward adjustment of prices and money incomes would be working with diminishing intensity and would converge, leading to a new equilibrium at a lower level of prices and money incomes. This downward adjustment may involve not only prices but also output, the extent of the latter depending upon the elasticity of supply in either sector.<sup>a</sup> The danger then from our point of view is the possible adverse effects on production in either of these sectors. The extent to which, however, the terms of trade between agricultural and non-agricultural goods would be affected depends upon the magnitude of the propensities to spend on each others' products and on the elasticity of the reciprocal demand curve.

I admit that the process of such possible price and income adjustment was not logically laid bare in all its details in the paper and its absence may have caused misunderstanding. The terms of trade effect which I mention-

<sup>a</sup>The real income effect of these price changes, resulting from the cheapening of the commodities which each sector buys, would probably bring the process of downward adjustment to a halt earlier than it would otherwise. It seems unlikely to be large enough sufficiently to offset the whole process and bring it back to the starting point.

ed is one of the possible end results or after-effects of the process of adjustment of supply and demand in both the sectors and not its cause. In the context of Pakistan, however, the annual supply of aid commodities constituted a very small percentage of her normal annual domestic production and supply of agricultural commodities. Commodity aid in the form of industrial raw materials was mostly composed of items not available within the country and did not therefore compete with the domestic raw materials. Bulk of the agricultural commodities, which were predominantly foodstuffs, were imported mostly at times of shortage, i.e. in the years when domestic production fell owing to natural calamities such as floods etc., and when domestic prices were well over cost of production. Soaring scarcity prices fell owing to the arrival of aid commodities which relieved the shortage and did not have any long-run adverse effect on the profitability of agricultural, i.e. mainly food, production. As pointed out in the paper, limitation on agricultural production was not the absence of price incentive but the absence of adequate and efficient supply conditions. It has also to be mentioned that superimposed on these periodic crises was the fact that the growth of investment and income in the industrial sector exceeded the growth of income in the agricultural sector, leading to a rising trend of food prices. This tended to cause a rise in cost of living, wages and cost of production of manufactured goods and added to the inflationary forces. The appearance of aid commodities on the scene moderated the inflationary forces.

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## Tourist Expenditure in Jamaica, 1958

By

G. E. CUMPER

In 1957 the Institute of Social and Economic Research of the University College of the West Indies was asked by the Jamaica Tourist Board to carry out an investigation of the distribution of tourist expenditure in Jamaica. The investigation was intended to throw light on the proportion of the funds spent by tourists within the island which went to local income-receivers, and to indicate which groups benefited most immediately from the tourist industry. The first part of the investigation was carried out in the winter season, 1957-8, under the direction of Professor P. Sargent Florence, and a preliminary report on the results was submitted to the Jamaica Tourist Board.<sup>a</sup> A further report at the end of 1958 incorporated the results of a survey of the expenditure of summer tourists. This paper presents the substance of these two reports and discusses the methods used and some of the implications of the results obtained.

In formal terms, the project may be seen as an attempt to construct a part of the national transactions matrix, namely that part which is concerned with payments from a particular class of rest-of-the-world transactors (tourists) to the various classes of internal producers of goods and services. One of the latter, the hotel industry, occupies a special position since its receipts come overwhelmingly from tourists. It would therefore be quite uninformative to accept this industry as the end point of our analysis of the destination of tourist payments; we must carry the analysis at least one stage further and assign the payments of hotels among the classes of internal producers. Formally, there is no reason why we should not continue with this process for as many stages as we wish, tracing our original tourist payments through the whole of the national transactions matrix. In practice we soon reach a point at which any distinction between tourist-originated and other payments becomes artificial, and the analysis here has not been carried beyond the second stage (for payments through hotels) save where the usefulness of further analysis was obvious (for example, to assess the payments by local producers to the rest of the world arising directly out of their provision of goods and services for tourists).

### *The Volume of Tourist Traffic*

The tourist industry did not begin to play an important role in the Jamaican economy until the mid-1920's. From that point till the outbreak of war in 1939

<sup>a</sup>Professor Florence has acted as adviser throughout the investigation and this report has benefited greatly from his comments on earlier drafts, but he is not responsible for the opinions expressed here.

the volume of tourist traffic steadily increased. Statistics on the early years are not easy to find, but the number of first-class passengers disembarking may serve as an index. In the early 1920's it stood at about 7,000 a year (mainly, one assumes, local traffic); from 1926 it rose to about 28,000 in 1930, 45,000 in 1934 and 64,000 in 1938. It does not appear that the number of tourists was greatly affected by the depression of 1930, though data published by the Caribbean Commission on the total tourist trade of the area shows a marked reduction in the number and expenditure of tourists in the years 1932-5. It is sometimes argued, on a *priori* grounds, that tourism is an industry highly sensitive to fluctuations in overseas economic activity, and it may be worth stressing, therefore, that the full effect of the 1930 depression was not manifested in the Caribbean until 1932 and is hardly traceable in the Jamaican data.

In 1938 about one-fifth of the visitors to Jamaica were classified as long-stay tourists, most of the rest being cruise visitors. The main centres of the trade were Port Antonio, Kingston and Montego Bay. The first had built up its tourist trade on the basis of the steamships which visited the port when the hinterland had been the main banana-producing area of the island, and the trade had contracted as plant diseases forced banana production away from the eastern parishes. Kingston became the principal cruise port, while Montego Bay had the largest concentration of accommodation for resident tourists, with a capacity of about 400 guests.

The war brought about a complete interruption of tourist traffic. From 1945, however, it began to reassume its former importance, the number of visitors to Jamaica in 1948 (61,800) being much the same as pre-war. The volume of traffic increased year by year to 169,400 in 1958. At the same time certain changes took place in the nature of the tourist industry. The long-stay tourist became increasingly important; from 1947 to 1958 the number of long-stay visitors rose from 10,600 to 65,700, while the number of short-stay visitors rose only from 42,800 to 103,800. Moreover, the traditional cruise trade was slow to revive, and in 1958 roughly half the reported short-stay visitors were air travellers stopping over in Jamaica rather than visitors coming ashore from cruise ships.

With these changes went a considerable expansion and re-location of tourist accommodation. Among the traditional centres of the trade, Port Antonio failed to expand with the rest. Montego Bay hotels had in 1958 a reported guest capacity of 1,980 (against 400 pre-war). In Kingston there had been in 1939 only two or three hotels worth mentioning in connection with tourism, with a total accommodation of perhaps 200 guests; in 1958 the Tourist Board's list recorded eleven, with a capacity of 750, catering to intransit air travellers, to long-stay tourists moving on to north coast resorts and to some tourists wishing to stay for an extended period in Kingston. But the greatest expansion had taken place along the north coast from Falmouth to Port Maria, an area in which tourist accommodation before the war had been insignificant; here there were in 1958 eleven hotels with a total capacity of 1,000

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guests, besides some 50 beach cottages intended for the use of tourists. Not merely has the tourist trade expanded over the post-war years, but so far as the long-stay tourist has been substituted for the cruise passenger the nature of the tourist business has changed from an industry requiring relatively little investment in fixed plant within the island to one needing heavy investment in buildings — a type of investment whose income-generating effects are particularly striking in Jamaica because some of the most important inputs, such as labour and cement, are locally available.

So heavy an investment has inevitably concentrated attention on the maintenance of a high rate of hotel occupancy throughout the year. At present the long-stay tourist traffic (like the cruise traffic) is concentrated in the so-called "season" from mid-December to mid-April, the total number of guest-nights for this period being equal to that for the remaining eight months of the year; that is, the average rate of hotel occupancy by tourists from April to December is only about half that from December to April. A typical hotel needs an occupancy rate of 30-40 per cent in a given month to clear its prime costs, and in fact many Jamaican hotels "lose" money in the summer, reckoning to recoup and meet their overheads from the receipts in the winter season when charges are higher and occupancy rates may rise to 80-90 per cent. At the moment efforts are being made to attract long-stay tourists in the late summer, the traditional holiday season for professional people and white-collar workers in North America. But there is no evidence that the balance between winter and summer visitors has yet begun to change. While the number of tourists in the months of June, July and August rose from 11,100 in 1956 to 13,770 in 1958, the corresponding number of tourists in the first four months of the year rose from 23,100 to 29,600.

#### *The Volume of Tourist Expenditure*

In Phyllis Deane's estimates of national income for Jamaica covering the years 1929-38 is included a calculation of the revenue of the tourist industry. For 1938, the year for which the estimates are most firmly based, this revenue is put at £475,000, or just over 2 per cent of the national income, while for 1929-33 it is estimated at about 1½ per cent of the national income. The Caribbean Commission has published figures for 1934-37 which are somewhat higher than Miss Deane's. These figures do not claim to be more than rough approximations, but they are useful as indicating the pre-war importance of the industry. They confirm the claim made for the tourist industry that it was the island's third most important source of overseas earnings, after bananas and sugar.

In the post-war period estimates of annual tourist expenditures were made by the Jamaica Tourist Board and these, or modifications of them, were incorporated in the official national accounts and balance of payments statements. In 1957 the first attempt was made to base an estimate of tourist expenditure wholly on direct evidence, the results being published as a "Report on Tourist Expenditure Survey 1956-57" by the Department of Sta-



tistics. The data used for this estimate were of three types; returns of the number of visitors to Jamaica compiled from the immigration records, questionnaire surveys of cruise visitors at the dockside (giving their total expenditure in Jamaica) and of tourists in hotels (giving expenditure and length of stay), and returns from tourist hotels of the number of guests and guest-nights during the year from December 1956 to November 1957. This investigation gave an estimate of total expenditure by visitors of U.S. \$15.5 millions, of which long-stay tourists accounted for \$11.9 millions. The average expenditure per cruise visitor was given as \$44 and the average expenditure per guest-night of hotel guests as \$34.

For the purposes of the present investigation an estimate was made of expenditure by visitors for the year 1958. This estimate follows the lines of that already made for 1956-7, with certain important differences. The first is that the earlier investigation was concerned only with dollar expenditure, whereas the present one is intended to cover all expenditure by visitors to the island. The second point of difference is the use of a record of the average length of stay of visitors which has been compiled from the immigration returns since February 1958. The third point lies in the conduct of the sample surveys on which the estimate of tourist expenditure per guest-night is based. Since much of the further analysis of the distribution of expenditure depends on the results of these surveys it is necessary to describe them in some detail.

The first survey was carried out in Ocho Rios and Montego Bay in March and April 1958—that is, toward the end of the tourist “season”—and 255 questionnaires were completed, representing 411 visitors. The second survey was carried out in Kingston in August, a month when the summer traffic is heaviest. 271 questionnaires were obtained, representing 481 visitors. The questionnaire used in the winter season is reproduced in the appendix to this report. The information asked for fell into three categories: general information on the visitor and his family; specific information on his expenditure under various heads; and comments on his experience with the tourist industry and on the facilities provided for him in Jamaica. He was not asked to report the expenditure covered by his hotel bill, as it was assumed that this could be estimated with sufficient accuracy from published hotel rates and supplementary information. The questionnaire used in the summer survey was similar, but expenditure was recorded under only two heads, shopping and other expenses.

The questionnaires were administered by interviewers who stayed for periods of one or two weeks in selected hotels. It was not possible to set up a sampling scheme for the selection of either hotels or guests. Not all hotel operators were willing to permit that their guests be interviewed, and it was necessary to accept co-operation wherever it was offered. Even where the co-operation of the hotel management was complete, it was practically necessary to choose the method of administering the questionnaires which would cause the least inconvenience to management and guests. It was therefore



arranged that interviewers should be present in the public rooms of the hotel and should seize any informal occasion of approaching tourists with a request for the information needed to fill out the questionnaire, without exerting any pressure on the reluctant. Few tourists were in fact reluctant, partly because the questionnaire was designed to give them full opportunity for informal comment on their experience in the island. Nevertheless, the proportion of the guests present in a hotel in a given period was in practice low. In the north-coast hotel where the most intensive interviewing was achieved the proportion was only about 30 per cent, and in the largest Kingston hotel about 25 per cent.

It is therefore necessary to consider how far the lack of a formal sampling procedure may have left the way open for bias. In general, we can do little more than admit the possibility of bias without being able to define or correct it. In one respect something more is possible. It would appear that an important variable differentiating the expenditure of tourists is the type of hotel, as shown by the published hotel rate. We can control the representativeness of our sample in respect of this variable by weighting our results by the capacity of hotels in each rate group, as shown by the publications of the Jamaica Tourist Board. This was done for tourist expenditure in the winter season, but the improvement in accuracy was trifling and the uncorrected figures were finally used below. The same correction could not in any case be applied to the results of the summer survey. At this survey tourists were interviewed in Kingston, but 75 per cent of them had spent part of their time at other hotels, mainly on the north coast, or with friends, and the details of their previous stay were not recorded. A correction for hotel rate group is likely to be less important in summer than in winter, since the differences in rate from hotel to hotel are narrowed by the fact that the summer rate reductions are proportionately greater for high-rate than for low-rate hotels.

Another possible source of bias must also be considered. It is probable that, under the circumstances of our surveys, the probability that a tourist will be interviewed is related to the time he is present in the hotel during the interviewing period. Under such conditions the "sample" will be representative of the tourist population with respect to those characteristics which are related to the guest-night, but will be biased toward the long-stay tourist with respect to characteristics of the guest. Hence the average sample expenditure per guest-night has been used in estimating total tourist expenditure, rather than the expenditure per guest.

Table 1 summarizes the calculation of total tourist expenditure for 1958. The derivation of the figures used is as follows. The number of visitors and their distribution among the three classes shown is based on the returns compiled in the Immigration Department from tourists' landing cards and other travel documents, and is fundamental to the whole calculation. The returns are made on a monthly basis, and since the division between the winter season and the rest of the year occurs in the middle of a month it

was necessary to use the figures for the first four months of the year (representing departures during those months) as the best estimate of the number of visitors during the season.

TABLE 1. DERIVATION OF ESTIMATE OF TOTAL TOURIST EXPENDITURE IN JAMAICA, 1958

Category of Visitor	Number ('000)	Expenditure per Visitor (\$)	Length of Stay (days)	Expenditure per Guest Night		Total Expenditure (\$000)
				Hotel (\$)	Other (\$)	
<i>Cruise</i>						
Winter	23.3	60				1,397
Summer	24.4	45				1,098
<i>Other Short-stay</i>						
Winter	18.4	20				368
Summer	37.7	20				754
<i>Long-stay</i>						
Winter	29.6	(365.2)	11.0	19.8	13.4	10,826
Summer	36.0	(203.4)	9.0	14.1	8.5	7,332
<i>All visitors</i>						
Winter	71.3					12,591
Summer	98.1					9,184
Whole year	169.5					21,775

The estimate of average expenditure per visitor for winter cruise passengers is based on a survey of cruise passenger expenditure conducted by the Department of Statistics, Kingston, the result of which was kindly furnished to me by Mr. F. C. Innerarity. The corresponding figure for summer cruise passengers is taken from the questionnaires completed by a small number of cruise visitors who happened to be in a Kingston hotel during the August questionnaire survey. The figure of \$20 as the average expenditure of other short-stay visitors is an arbitrary guess; many of these, who are only in Jamaica for part of a day, no doubt spend very little, while the unknown proportion who spend a night in a local hotel probably spend more than this estimate. The estimate of expenditure per guest for long-stay tourists is derived from the material in the succeeding columns.

The average length of stay of resident tourists is taken from the returns made to the Jamaica Tourist Board on the basis of immigration documents. The figure for the winter tourist is the mean of the monthly averages from February (the first month for which this figure was available) to May. While May falls outside the winter season, tourists leaving during that month were apparently in part those who had arrived during the season and stayed for some weeks, and it seemed best to include this month in the winter average for this purpose.

The estimate of hotel bill expenditure per guest-night is based on hotel rates as given in the publications of the Jamaica Tourist Board, weighted by the official guest capacity of the hotel. An important influence on the effective rate is the proportion of guests who are charged at the single rate, a proportion which tends to be lower for the nominally most expensive hotels and so to narrow the gap in effective rates between those and the rest. The

proportion of single-rate guests has been estimated from the results of the questionnaire surveys. It was borne in mind that even when adjusted for these factors the hotel rate may not represent the tourist's actual expenditure within the hotel because of special discounts or because of expenditure on drink and other extras. In the case of one hotel it was possible to check the actual receipts per guest against the calculated rate, and it was found that the latter underestimated guest expenditure by about 5 per cent. The calculated average rate for all hotels was therefore increased by 5 per cent to give the estimate of hotel expenditure per guest-night used in Table 1.

The estimate of expenditure per guest-night outside the hotel is taken from the questionnaire surveys. It is intended to include all items not normally found on the hotel bill, and therefore includes tips to hotel staff and purchases in hotel shops.

Total expenditure by visitors during 1958 may be estimated on this basis at \$21,775,000. By far the greatest contribution is made by resident tourists, and expenditure during the four months of the winter season is substantially greater than during the rest of the year. Broadly speaking the estimate is in line with that prepared by the Department of Statistics for the previous year, but the total for 1958 appears substantially greater. The apparent differences can be easily accounted for. The expenditure of cruise passengers is higher in 1958 because of an increase in their numbers (from 43.5 thousand to 47.7 thousand) and in their estimated expenditure per head. The expenditure of other short-stay passengers appears rather lower because we have assumed their expenditure per head to be \$20 and not \$30 as in 1957. The expenditure of winter long-stay tourists is higher on our figures by about 25 per cent. One element in this difference is an increase in the number of tourists (from 26.2 to 29.6 thousand) while the rest can be accounted for by a slight rise in hotel rates and by the fact that the 1957 estimate was intended to cover only dollar tourists. The most substantial discrepancy is in the expenditure of summer long-stay tourists, which is twice as high on our estimate for 1958. The 1957 figure was based on rather sweeping assumptions which had to be accepted in the absence of more definite evidence, and it would appear that the summer visitors in 1958 stayed longer and spent more freely than would have been supposed by most observers in 1957.

In arriving at the result for 1958 we have passed over one important problem. Not all tourists stay at hotels; some stay in resort cottages, guest houses and with private families. It is possible, though difficult, to trace the number of visitors and their length of stay in the case of the first two, but there seems no practicable way at the moment of securing information on the spending of the visitors who stay with relatives and friends. We have in effect assumed that their expenditure per guest-night is the same as that of the hotel visitor. But there is some evidence that all three of these categories stay for a longer time than the hotel guest and spend less per day, their expenditure per guest being not greatly different from that of the hotel visitor.

*Alternative Approaches to the Calculation of Tourist Expenditure*

Two alternative approaches to this problem provide partial checks on the above calculations. One is through the estimated turnover of hotels, guest houses and cottages. The turnover of a certain number of hotels is known for 1956, and can be related to their rate group and capacity (Table 2). Assuming a 10 per cent increase in rates between 1956 and 1958, we can estimate the turnover per unit of guest capacity in 1958, on the assumption that the rate of occupancy remained the same. Applying this to the estimated tourist capacity in 1958, we obtain an estimate of total hotel turnover of \$12,200,000. To this must be added the turnover of guest houses and resort cottages, which may be put roughly at \$400,000, giving a total turnover attributable to tourism of \$12,600,000. The corresponding figure calculated from the material in Table 1 is between \$11 and \$11½ million. Bearing in mind that our assumption of a constant rate of occupancy and our estimate of the share of capacity attributable to tourism may be in error, we can accept the agreement of these figures as reasonable.

TABLE 2. ESTIMATED TURNOVER OF HOTEL INDUSTRY, 1958

Hotel Rate Group	Turnover per Unit of Capacity 1956 (£)	Estimated Turnover per Unit 1958 (£)	Tourist Capacity 1958	Estimated Total Turn- over 1958 (£000)
High rate (Single winter rate \$30 and over)	1,962	2,150	1,060	2,281
Medium rate (Single winter rate \$20-29)	1,283	1,400	1,010	1,410
Low rate (Single winter rate under \$20)	597	660	1,020	673
Total				4,364

Another approach is through the returns of guest-nights made by hotels to the Department of Statistics for the winter and summer seasons of 1958. The returns give directly the guest-nights spent in a sample of hotels by guests of all types, the winter returns representing about two-thirds of the hotel capacity of the island. On the assumption that the ratio of guest-nights to recorded capacity was the same for non-respondent hotels as those included in the returns, we can estimate the aggregate guest-nights spent in hotels for the winter season 1957-8 as about 290,000. A 1 in 10 sample of resort cottages was also asked for returns, and these suggest that 12,000 guest-nights should be added for cottage tourists. For guest houses we make a rough allowance of 15,000 guest-nights, and for tourists in private homes the same, giving a total of 332,000 guest-nights. From this must be deducted the guest-nights spent in hotels by short-stay visitors (which on the assumption that one third of such visitors spend one night can be put at 6,000) and by local travellers (which we put arbitrarily at 10,000), giving an esti-

mate of 316,000 guest-nights spent in Jamaica in the winter season by long-stay tourists. The corresponding figure calculated from Table 1 is 326,000. For the summer season the returns are less complete, about one half of hotel capacity being covered, but we can obtain a very rough estimate of 310,000 guest-nights for the period, compared with 324,000 on the basis of Table 1. On the whole, therefore, these alternative methods of calculation tend to confirm the reliability of our estimate of total tourist expenditure.

### *The Distribution of Tourist Expenditure*

The total tourist expenditure of \$21,775,000 was divided roughly equally between payments to hotels and other payments. On the assumptions already set out, payments outside hotels amounted to \$10,456,000. The distribution of this total between various types of expenditure is set out in Table 3.

TABLE 3. ESTIMATED DISTRIBUTION OF TOURIST EXPENDITURE OUTSIDE HOTELS, 1958

	Shopping	Food, Drink Tobacco	Transport	Services	Entertain- ment	Tips	Charity
<i>Long-stay visitors:</i>							
Winter							
%	37.9	18.1	16.3	4.2	10.3	11.8	1.0
\$000	1,656	791	712	184	450	516	44
Summer							
%	49.8	14.6	13.2	3.4	8.3	9.3	0.8
\$000	1,373	403	364	94	229	262	22
<i>Other visitors:</i>							
%	90.0	2.9	2.6	0.7	1.7	1.9	0.2
\$000	2,997	97	87	23	57	63	7
<i>Total (\$000)</i>	6,026	1,291	1,163	301	736	841	73

The percentage distribution of the expenditure of the winter tourist between the items shown in Table 3 is derived from the winter questionnaire survey. At the summer survey tourists were asked only to separate their expenditure into shopping and other expenditure, and the distribution among other items was assumed to be the same as at the winter survey. The same procedure was applied to in-transit and cruise passengers, the estimate of 90 per cent as the proportion of expenditure going on shopping being based on the replies of a small number of cruise passengers and other short-stay visitors interviewed in a Kingston hotel. It will be seen that the shorter the tourist's stay the larger shopping bulks in his total spending, and this tendency is also shown when the individual questionnaires are tabulated by length of stay. Of the total expenditure by tourists of all types, 70 per cent is on purchases of goods, 11 per cent on transport, 10 per cent on services (including entertainment) and 9 per cent on payments to individuals (tips, charity). The heading "services" in Table 3 includes very varied items, being mainly postage and laundry. The item "food, drink and tobacco" includes an unknown proportion of expenditure on restaurant service, so that the allocation of expenditure between different sectors of the local economy cannot be more than approximate.



Payments by tourists to hotels amounted to \$11,319,000. It seems useful to regard the hotels as being for our purposes merely intermediaries between the tourist and the rest of the economy, and to allocate their expenses as the direct expenditure of tourists has already been allocated. We must begin by separating out the gross profit of the industry. No attempt was made to find out the actual rate of gross profit in 1958, but on the basis of information from earlier years an estimate of 15 per cent of turnover seems reasonable. The expenses of the industry for 1958 are therefore assumed to be \$9,621,000. The estimated breakdown of this total between different heads is shown in Table 4. This is based on the experience of four hotels which gave us access to their accounts for 1957 and co-operated very fully in explaining the nature of the items recorded.

TABLE 4. ESTIMATED DISTRIBUTION OF HOTEL EXPENSES, 1958

	Estimated Expenditure, 1958		Alternative Estimate, 1956
	%	\$000	%
Food	23.5	2,263	27.4
Liquor	6.5	621	
Housekeeping supplies	1.9	180	
Fuel	2.4	231	
Miscellaneous goods	3.2	306	
Utilities	2.6	245	2.8
Repairs	4.3	415	5.2
Transport	1.6	158	2.5
Services	13.9	1,340	7.5
Salaries and wages	30.5	2,931	28.3
Rent	0.7	65	0.7
Interest	3.1	299	1.1
Taxes	1.5	141	1.6
Overseas (travel agencies)	4.4	426	1.4
Total	100.0	9,621	100.0

On the whole the pattern of expenses shown by the four hotels was very consistent, the main variations being in items like interest payments and agency fees which were likely to be affected by the particular circumstances and business practices of the management. The largest single item was wages and salaries, followed by purchases of food. We have shown the payments of hotels to agencies in other countries as a direct payment overseas; it is possible that some food and other supplies should also be considered to involve a direct payment overseas, since a hotel may order directly from the foreign supplier, but it appears that goods bought by hotels originating overseas generally pass through the local distribution system at some point.

Table 4 also shows an alternative estimate of the distribution of hotel expenses, based on material relating to a larger number of hotels for the year 1956 and supplied by the National Accounts Section of the Central Planning Unit. It will be seen that the two estimates agree in their broad outlines, though our estimate shows a higher proportion spent on goods and a lower proportion on services.

The following table, produced by aggregating Tables 3 and 4, may serve



to show the groups which benefit immediately from tourist expenditure in Jamaica:

TABLE 5. ESTIMATES OF DISTRIBUTION OF AGGREGATE TOURIST EXPENDITURE, 1958

		Receipts (\$000)
Factor Incomes:	Wages and tips	3,845
	Rent	65
	Interest	299
Productive Sectors:	Agriculture, manufacture and distribution	10,918
	Utilities	245
	Construction	415
	Transport	1,321
	Services	2,377
Taxes		141
Overseas		426
Unanalysed item: hotel gross profits		1,698

Since the last item in this table is liable to misinterpretation, it may be as well to emphasize that it is not intended to measure the net profit of the hotel industry in 1958. No reliable information on this point could be obtained for the current year by the methods used in this investigation. The size of the gross profit and its distribution between different items is likely to be highly variable both from hotel to hotel and from year to year. All we have done is to adopt a rate of gross profit which appears reasonable in the light of past experience and use it as a basis for calculating the proportion of total hotel receipts which much be divided among the items on the distribution of which we have more reliable information. There is, however, one item of gross profit for which we can make some estimate. It appears on the basis of the data supplied by the National Accounts Section that the average rate of depreciation per unit of guest capacity in 1956 was about £35, or \$100. Applying this figure to total capacity in 1958, we can estimate the total depreciation allowed in the hotel industry as at least \$350,000.

A note must also be added on the item "Agriculture, manufacturing and distribution". This represents purchases of goods, most of which are made through distributors. A small proportion are made direct from producers — local foodstuffs, for example, are bought from small-scale dealers some of whom are the producers of the goods they sell. It was not possible to separate direct purchases from those made through distributors on the basis of the hotel accounts, nor was it necessary for the purposes of the investigation, and all purchases of goods were therefore lumped under one head. This is in fact the largest item in the table, and it may be worth pointing out that it is not directly comparable with the second largest, wages, since one is a direct payment to households while the other is a gross figure from which must be deducted the value of goods purchased by the distributor before the effect on factor incomes in the sector can be considered. The same qualification applies in a lesser degree to the other payments to productive sectors.

#### *The "Import Content" of Tourist Expenditure*

We have already noted that a small proportion of tourist expenditure through hotels goes to agencies overseas, and that it is possible that some

of the hotels' purchases of goods also involve direct overseas payments. But these items are only a small part of the obligations of the Jamaican economy to the rest of the world which arise more or less inevitably out of the particular conditions of operation of the tourist industry. To be competitive the industry must provide its customers with many articles which are not produced in Jamaica, or at least are not available to the specifications needed and at the times needed. One of the main objects of the investigation was to estimate the importance of the obligations to the rest of the world created by tourism.

TABLE 6. OBLIGATIONS TO THE REST OF THE WORLD ARISING FROM THE TOURIST INDUSTRY, 1958

	"Import Content" \$000
Salaries	132
Purchases of goods	6,566
Repairs	203
Transport	735
Agency fees	426
Interest and gross profit	500
Total	8,562

Table 6 shows such an estimate; the "import content" of tourist expenditure in 1958 was about \$8,562,000, or 39.3 per cent of the value of total tourist expenditure. The derivation of the items in the table is as follows. The heading "salaries" represents payments to foreign staff by hotels, its proportionate importance being based on the books of the four hotels whose accounts were made available. The item "purchase of goods", the largest in the table, includes both purchases of supplies by hotels and direct purchases by tourists. The proportion of hotel expenditure on various classes of goods accounted for by goods from overseas was estimated on the basis of the hotel accounts studied as follows: food, 50.3 per cent; liquor, 71.7 per cent; housekeeping supplies, 58.9 per cent; fuel, 100.0 per cent and miscellaneous goods 77.1 per cent, giving 60.0 per cent overall. The direct purchases of tourists can be divided into food, drink and tobacco, and shopping. The proportion of imported goods bought under the latter heading (73.5 per cent) was estimated from the distribution of shopping purchases recorded by tourists in the winter survey. The proportion of imported food, drink and tobacco bought by tourists outside hotels was assumed to be the same as that for the corresponding categories of hotel purchases. On this basis an estimate was obtained for the value of purchases by tourists and by hotels of goods whose origin was overseas. This value included a component of local revenue from customs duties and from distribution expenses. The importance of this component varies widely from one item to another, and even for similar items according to the channel through which they are purchased. It was assumed that 10 per cent of the final cost of the goods recorded as imported should be regarded as accruing to local distributors and to government, the remainder representing the obligation to overseas suppliers.

The "import content" of the transport services bought by tourists consists in the foreign vehicles and fuel used by the transport industry. On the basis of data supplied to the Rural Passenger Transport Commission by a firm engaged in this work it has been estimated that 64.0 per cent of the revenue of tourist transport concerns goes on these items. The next item, "agency fees", has already been accounted for. The final item, "interest and gross profit", was arrived at by taking an arbitrary portion (25 per cent) of the value of these as given in Table 5. It was not possible to estimate accurately the share of foreign interests in the industry, nor would this necessarily give a direct indication of the flow of payments overseas, since much of the foreign investment is new and is not likely as yet to yield a rate of profit similar to that in the rest of the industry.

By subtracting the "import content" from the total expenditure by tourists we obtain a figure for the receipts from tourism which are not offset by payments overseas arising out of the requirements of the tourist industry. This appears to be what is meant by the idea of the amount of tourist money remaining in the island; and it amounts to 60.7 per cent of tourists' expenditure, or \$13,213,000.

#### *Revenue Accruing to Government from the Tourist Industry*

As payments are made by tourists to local receivers of income revenue accrues to government in a number of forms. Some of these, the revenue from which can be estimated with reasonable precision, are shown in Table 7.

TABLE 7. ESTIMATED YIELD FROM SOME FORMS OF TAXATION ARISING OUT OF THE TOURIST INDUSTRY

	\$000
Land and direct taxes paid by hotels	141
Indirect taxes on hotel imports	151
Indirect taxes on other tourist imports	265
Excise on liquor and tobacco bought by hotels and tourists	75
Direct taxes on factor incomes	77

The estimate of taxes paid by hotels is taken from Table 4. The indirect taxes on imported goods purchased by hotels and tourists are estimated by applying to the data of Tables 3 and 4 assumed rates of duty, as shown in Table 8. This involves also making some assumptions about the margin between import and retail prices; this has been assumed to be 10 per cent for fuel, 20 per cent for most other goods, 25 per cent for hardware, 40 per cent for transport equipment and 50 per cent for tourist shopping. The estimate for the yield from excise represents 25 per cent of the value of excisable goods (\$300,000). Direct taxes on factor incomes paid out by the industry have been arrived at by applying to the wage figure in Table 5 the marginal direct tax rate on persons as calculated from the national accounts for 1953-6.

It will be seen from Table 8 that the rates of duty vary greatly, not only between classes of goods but between items of a class such as food. The

TABLE 8. DERIVATION OF ASSUMED RATES OF DUTY ON TOURIST IMPORTS

	Preferential	General
<b>Food:</b>		
Fresh meat	15%	30%
Bacon, ham	$\frac{1}{2}$ d./lb.	1d./lb.
Sausages	$\frac{1}{2}$ d./lb.	1d./lb.
Canned meat	10%	25%
Butter	$\frac{3}{4}$ d./lb.	$2\frac{1}{4}$ d./lb.
Cheese	1d./lb.	2d./lb.
Eggs	9%	12%
Non-tropical fruit	15%	20%
Canned fruit and jams	25%	40%
Frozen vegetables	1/8d./100 lb.	2/3d/100 lb.
Tea	9d./lb.	1/- /lb.
Assumed rate 7 per cent.		
<b>Liquor:</b>		
Beer	6/10/gal.	8/6/gal.
Wine	£ 1. 1/gal.	£ 1. 10/gal.
Brandy, whisky	£ 6. 11/gal.	£ 8. 1/gal.
Cigarettes	34/- lb.	35/- lb.
Assumed rate 50 per cent.		
<b>Fuel:</b>		
Kerosene	1d./gal.	2d./gal.
Assumed rate 5 per cent.		
<b>Housekeeping:</b>		
Soap, polishes	20%	30%
Brooms	15%	20%
Assumed rate 20 per cent.		
<b>Transport:</b>		
Gasoline	1/4d. gal.	1/9d./gal.
Automobiles	25%	45%
Assumed rate 40 per cent.		
<b>Repairs:</b>		
Structural parts	15%	25%
Nails	15%	25%
Assumed rate 20 per cent.		
<b>Shopping</b> (including in-bond sales)		
Assumed rate 5 per cent.		

main variation in food duties is that which has grown up between those expressed as specific duties and those stated as a rate *ad valorem*. Thus the general tariff on fresh meat is 30 per cent and that on canned meat 25 per cent, whereas that on ham is equivalent to only about 2 per cent. In the circumstances it is peculiarly difficult to strike an average without much more detailed breakdowns of classes of expenditure than could be obtained, and the assumed rates shown are probably conservative.

The items in Table 7, totalling \$709,000, do not exhaust the revenue attributable to tourism. The factor incomes paid out by hotels and tourists are spent, mainly on consumer goods, and with this expenditure is associated a gain to revenue from customs and excise duties. It appears from the national accounts that indirect taxes are 10 per cent of personal incomes, and that the same relation holds if we consider their increase from year to year. We may therefore assume that the spending of the \$4,200,000 of factor incomes shown in Table 5 yields \$420,000 of indirect tax revenue. It is true that in the short run we can argue that this is not dependent on tourism, in the sense that the individuals concerned might maintain their expenditure even if their incomes from tourism changed or disappeared. But in a longer-

run sense it can hardly be doubted that in the absence of the tourist industry the national expenditure would decline by an amount of the order we have indicated, and that the revenue from indirect taxes would be correspondingly reduced. This argument gains force from the fact that the capital employed in the tourist industry is highly specific, and could not be transferred to other industrial uses if the tourist trade were cut off; while in the presence of a considerable reserve of labour there is no reason to believe that the labour used in tourism would be required in other industries.

One final item must be mentioned — direct taxes paid from the profits of the industry and not accounted for under the heading "taxes paid by hotels". The amount of these is not known. But with the items previously enumerated they bring the total revenue attributable to the tourist industry to about \$1,200,000, or 6 per cent of tourist expenditure. This is somewhat less than the estimate of 7-8 per cent given in the preliminary report of this study, and it may well be that further work would prove it to be conservative. It is, however, sufficient to show that the direct revenue from tourism is greater than the direct contribution made to the industry from central government funds in the form of the grant for tourist promotion.

#### *The Balance of Advantage from Tourism: Some Special Considerations*

To attempt to draw up a balance sheet of national advantage and disadvantage from a particular industry is probably an unprofitable exercise, since so many items must be included whose influence is indirect or speculative. Nevertheless, since it will inevitably be attempted for the tourist industry in the future as it has been in the past, it may be worth while mentioning here some considerations which should be borne in mind.

In considering, first, the balance between national expenditure on, and revenue from, the tourist industry, we should remember that government contributes to the industry by providing special services in resort areas — improved roads and water supplies — whose benefit also accrues to the general population of the area. If we enter this on the debit side of the industry's account, we must allow on the credit side for the effects on public revenue and on national production and welfare which are traceable to the general expansion in the scale of activity in the country attributable to the existence of the industry. Generally speaking, expansion permits specialization, diversification and greater efficiency; specifically, tourism has helped to diversify the Jamaican economy and make it less dependent on its traditional exports, and has provided a wider market for many kinds of locally manufactured goods, particularly, of course, those like straw goods which are intended above all for tourist consumption.

We must remember too that we have considered above only the current accounts of the industry. So long as the industry continues to expand, its need for additional fixed capital will increase. In 1958 it appears that little investment took place because the prospects of the tourist trade were uncertain. But between 1956 and 1958 there was a very substantial increase in



capacity. The figure of 1,700 beds given in the "1956 Report on Jamaica" is misleading if used as a measure of the change in guest capacity, since it includes hotels which either did not come into operation (like the Marra-kech) or were only partly filled in the 1958 season, and makes no allowance for hotels which dropped out of the tourist trade; but it is not a bad guide to investment expenditure over the two years. It appears that we can take the turnover of a hotel as a rough guide to its current capital value. On this basis, in 1956 and 1957 investment was equivalent to about 750 beds per annum at \$5,000 per bed, or \$3,750,000 per annum. The value of this expenditure lies not in its direct effect on public revenue (because of the provisions of the Hotels Aid Law, this effect is likely to be small) but in its expansion of the productive capacity of the economy and its stimulation of general economic activity through the investment multiplier.

Since the 1930's at least it has been true that Jamaica's trade balance with North America has shown a persistent deficit. The island has close connections with the United States, has adopted many of its consumption patterns and at least since the war has demanded more American goods than were available; while exports until recently were directed toward the United Kingdom, and the prospects of increasing the island's exiguous share of the American market appeared slight. It is true that since 1952 the island's dollar earnings from bauxite have changed the situation, while progress toward convertibility has made the size of the dollar deficit less important. Nevertheless, since it has sometimes been argued that the tourist trade is an extravagant consumer of dollars it may be worth while indicating briefly what our figures indicate about the balance of dollar receipts and dollar purchases by the industry.

It is known that about 90 per cent of tourists are dollar spenders, and our questionnaire surveys indicate that there is no important difference in expenditure between dollar spenders and others. Dollar receipts can therefore be estimated at \$10.2 mn. through hotels and \$9.4 mn. outside hotels. On the basis of the hotel accounts studied it appears that 60 per cent of hotel imports are paid for in dollars. The outflow of dollars through hotels is therefore about \$1.5 mn., and the net gain on dollar balance about \$8 mn. The outflow of dollars arising from tourist expenditure outside hotels is not known, but can hardly exceed \$1 mn. (for imports of cigarettes, automobiles and possibly some food and liquor). The net gain of dollars outside hotels is therefore about \$8.5 mn., and for the industry as a whole about \$16.5 mn.

It is sometimes argued that the tourist industry is a "big man's industry". Those who favour the accumulation of capital in few hands as a means of development conclude from this that the tourist industry is particularly desirable; those who believe in the spreading of wealth as a matter of social policy or political expediency conclude the opposite. It may be useful to consider the role of the "small man" in the various branches of the tourist industry. We should begin by noting that in two fields which account for almost half the local expenditure of the industry — payments to hotel labour and



for services — it is the wage-earner and own-account worker who benefit most. At the other end of the scale, the "small man" has virtually no stake in the fields of hotel supplies and hardware, the distribution of imports and the gross profits of hotels, which on our data account for about 20 per cent of total local expenditure. Between these extremes lie the fields of transport, food, drink and tobacco, and shopping goods. In transport, in spite of the existence of large taxi companies and car rental firms, the small man certainly plays an important role, perhaps accounting for 50 per cent of expenditure. In the production and distribution of local food, drink and tobacco he is probably less important. Small producers supply fresh vegetables to hotels and restaurants in considerable volume; but drink and tobacco are factory products, and meat, milk and eggs, though partly the product of the small farmer, are generally purchased through large suppliers. There remains the expenditure of tourists on local shopping goods. Here it is shown below that the local goods for which Jamaica has a reputation among tourists are rum, coffee liqueur, and perfume, all factory products. There is of course a large sale of handicrafts; but even here much of the local production comes from large factory-style enterprises.

On a very rough estimate, about half the local incomes arising directly from tourism go to the worker or small producer. The rest goes to larger concerns to be disbursed by them according to whatever pattern is appropriate to their type of business. There would seem to be no ground here for a social indictment against the tourist industry.

### *Tourist Attitudes*

In the two questionnaire surveys (one carried out on the north coast at the end of the winter season of 1958, the other carried out in Kingston in August) a number of questions were included which were designed to throw light on who the visitors to the island were, why they had chosen Jamaica and what they liked or disliked in their experience here.

Some information on the first point is provided by the record of the occupations of the tourists interviewed. Of the winter tourists, 33 per cent were owners of businesses or executives (Table 9); 31 per cent were housewives, retired people or people who recorded no occupation — the majority of the latter were people with private means; 25 per cent were members of the professions — mainly doctors, lawyers and engineers. Only 10 per cent were below the executive or professional level.

Among the summer visitors, on the other hand, business owners and executives accounted for only 16 per cent, and some of these were present on business trips or combined business with tourism; 44 per cent were professional people, and a substantial part of these were teachers. The income level of the professional group among the summer visitors was clearly much lower than in the winter season. Housewives, retired people and those with no recorded occupation accounted for 17 per cent. Salesmen, clerical workers and workers of the skilled and operative grade accounted for 23 per cent.

These figures show clearly the difference in income and occupational level between the winter and the summer tourists.

TABLE 9. OCCUPATION OF TOURISTS INTERVIEWED, 1958

	Occupational group as per cent of tourists interviewed, 1958:	
	Winter	Summer
Owners of business	19	8
Executives	14	8
Professional people	25	44
Salespeople and clerical workers	10	20
Skilled workers and operatives	—	3
Housewives and retired people	11	11
Miscellaneous and not specified	20	6
Total	100	100

The tourists interviewed were also asked why they had chosen Jamaica for their trip. Here again there were obvious differences between the winter and summer visitors. A substantial proportion of those interviewed in the summer were in Jamaica partly or wholly for business reasons (14 per cent against 4 per cent in winter). 24 per cent of the winter tourists had been to Jamaica before, against only 10 per cent of the summer visitors. In each group a substantial proportion (28 per cent in winter, 24 per cent in summer) reported that they had chosen Jamaica mainly because of a recommendation from friends or relatives. A substantial proportion of the winter visitors (39 per cent) gave rather general and vague reasons for their choice of Jamaica, as did 21 per cent of the summer tourists. It is interesting that only 6 per cent of winter visitors named a form of promotion (advertising, magazine articles, tourist literature) as a reason for coming to Jamaica. Of the summer visitors, on the other hand, 15 per cent referred to such promotion, and another 17 per cent had come to Jamaica on a "package tour" which had in most cases been planned by a travel agent who would be aware of the promotional efforts of the industry.

It seems permissible to conclude that informal means of communication and previous experience are the most important means by which tourists are drawn to Jamaica. The influence of organized promotion is greater on the summer tourist than on the winter tourist. It may, however, be more influential in the latter case than appears at first, since many of those who assigned no specific reason for their choice of Jamaica or who gave general reasons may have been influenced more or less consciously by advertising and other kinds of formal promotion.

A question was asked about the extent to which the tourists interviewed used the in-bond stores. Of those who answered, about a third stated that they used these stores very little or not at all. The usual reason given was that prices for most goods were not in practice cheaper in bond, either because duty must be paid when the tourist returned to his own country or because of excessive mark-up. One man described the stores as a "come-on". Poor service and a poor range of stock were also mentioned.

TABLE 10. TOURISTS' REASONS FOR CHOOSING JAMAICA FOR THEIR TRIP

	Percentage giving reason shown:	
	Winter	Summer
Business	4	14
Previous visit	24	10
Personal recommendation	28	24
Advertising	2	9
Other promotional activity	4	6
Part of "package tour"	—	17
Other reasons	39	21
Total	100	100

On the other hand, about a sixth of the tourists said that they used the in-bond stores "as far as possible" or "100 per cent". It appears that most tourists purchase in bond a limited range of goods which have acquired a reputation as cheaper in Jamaica than in the tourists' country of origin, or which are peculiar to Jamaica. Few are much interested in in-bond shopping for other items under the present arrangements. The goods named by tourists as those they have bought or intend to buy in bond are (in almost every case) liquor and perfume, and (less often) English cashmeres. In the whole sample of tourists, liquor and perfume were mentioned 179 and 156 times respectively, clothing 44 times and all other goods only 58 times.

Tourists were asked to mention anything they had wanted to obtain in Jamaica and had not been able to find. A very wide range of wants, most of them minor, were mentioned, and these are given *verbatim* in the appendix. General comments by tourists are also summarized in the appendix. Taken together these give a comprehensive picture of the attitudes of tourists to the island and to the tourist industry.

This material is not easy to analyse briefly. We may begin by distinguishing between those tourists whose recorded comments were favourable to Jamaica and those whose comments were unfavourable. Out of a sample of 130 winter tourists, 43 expressed definite approval of their experience here, 39 recorded only criticisms and 48 made no comments. Our sample of 229 summer tourists 70 were definitely favourable, 103 expressed criticisms and 56 made no comments. Since disapproval is always more vocal than its opposite and since one unfavourable comment was enough to assign a tourist to the "critical" category, this may be regarded as a reasonably satisfactory state of affairs. On the other hand, it is less reassuring that the favourable comments were almost invariably couched in terms of praise for the island and its people, while the criticisms were aimed at the organization of the industry.

Many of the criticisms can be related to two basic attitudes of the tourist which may be held by the same person but are not easy to reconcile. On the one hand, there is a general desire to be surrounded with a different and romantic culture — more steel bands, more dancing, more Jamaican foods, hotels which are different in architecture and organization from those of Miami. On the other hand there is also an insistence on having all the com-

forts of home — air-conditioning, well-stocked drug stores, good public transport. It is a matter for serious consideration how far the tourist industry can go in attempting to create for the tourist a milieu which meets both demands.

Other criticisms reflect the differences in the needs and wishes of different groups of tourists. Thus while the winter tourists with their generally higher incomes are content with the American Plan, the summer tourists, less rich and intent on cramming all the sightseeing they can into a short stay, would often prefer an arrangement which would allow them to miss meals or take them in a hotel coffee shop. While the older married tourists who form the bulk of the winter trade are content with a quiet atmosphere, the younger tourists and the unmarried feel the need for more social activity. While many tourists want to be isolated from the problems of Jamaican society, there is a surprisingly large number who want to be seriously informed about these problems. It is possible that if fuller information about the situation and atmosphere of different hotels were available to tourists and travel agents some of these difficulties could be met by a greater specialization of services between different hotels.

Most tourists are capable of making a shrewd assessment of the economics of the tourist industry so far as they affect their own interests. Many are themselves concerned with travel agencies or with running their own businesses. The summer tourists, particularly, are inveterate "comparison shoppers" and take care to gather information on the relative prices in Jamaica and other islands. In this respect, as in choosing the place for their holiday, tourists are influenced to a surprisingly large extent by the direct assessments of themselves and their acquaintances. This would seem to be a point to bear in mind in considering how the resources of the tourist industry should be divided between promotional activity and improvement of local facilities for tourists.

It is notable that many minor difficulties experienced by visitors could have been avoided if they had known more about Jamaica and particularly about Kingston. This reinforces the suggestion made by several tourists that more printed literature on shopping and other facilities should be provided, perhaps on the lines of the Puerto Rican publication "Que Pasa in Puerto Rico".

### *Conclusion*

Our study shows that the present situation of the Jamaican tourist industry justifies the claims that have been made for it. This is not to say that exaggerated claims have not been made; the revenue of the industry, for example, has certainly been overestimated through the use of rule-of-thumb calculations — though not, one is tempted to say, by an amount greater than is needed to make it comparable with the figures put out by some of its competitors. Such exaggerations can be corrected without affecting the industry's position as the third largest export industry and as a generator of employ-

ment and incomes in parts of the island which would otherwise have benefited little from current developments.

The industry has risen to its present position from insignificance in the 1920's by a process of growth which has been remarkably steady, save only for the interruption of tourist traffic in the war years. Basically this growth has reflected the growth of the economy of North America and the increasing proportion of American income devoted to recreation. As the industry has grown it has changed its nature, becoming more and more dependent on the long-stay tourist and less on the cruise passenger. It is natural to ask a question, even though one cannot answer it: how is the industry likely to change in size and structure in the next few years?

The source of tourist expenditures in the Caribbean is likely to remain the recreational expenditure of North Americans. The basic condition of the growth of Caribbean tourist trade as a whole is the growth of the North American economy. One territory, or even the whole area, is not likely to be seriously affected by a temporary recession in American incomes; but if incomes decline or even cease to grow over a period of years no territory can expect its tourist trade to expand. It appears that in spite of the recession of 1957-8 the receipts of the Jamaican tourist industry were greater in 1958 than in 1957, and with the signs of revival in the United States economy in mid-1959 it seems reasonable to assume that the potential tourist market will resume its expansion.

Whether this means a further growth of the Jamaican industry depends on the share of the total market that Jamaica can capture. In recent years the trend has been for the Caribbean to attract a growing proportion of United States tourists, and for the Jamaican industry to grow faster than that of most other Caribbean areas. Whether this will continue depends on many things, some of them outside the control of the local tourist industry. But one of them is worth special mention, for it is the extent to which the industry can adapt itself to the changes in structure which may be demanded by further growth.

We have suggested that the increase in the winter tourist trade (as distinct from the cruise passenger) has led directly to a recognition of the need to exploit the summer trade, since it has increased the fixed investment which must be provided to take care of the winter peak, and this investment can only be fully used by attracting the summer tourist. It is arguable that the middle-income tourist must be attracted for another reason; the highest income groups are already beginning to swing away from Jamaica to newer and, for the time being, more exclusive resorts in the other islands, and Jamaica must follow the common progression of resort area from serving the élite to the mass market.

For this purpose it is not enough to advertise the island as a summer resort or even to improve the travel arrangements and increase the guest capacity available to the summer tourist. The middle-income tourist has different needs from the élite tourist, some of which have been mentioned



above. In part these needs can be met by changes in the organization of individual hotels. But in part they involve the industry as a whole, or even the government of the area. The general aim of the industry to date has been to meet the needs of the tourist within one hotel or small group of hotels; the trade has been hotel-centred. The views expressed by the summer tourists interviewed for this study suggest that they wish to feel much freer to circulate within the community, using communal services and striking up direct relations with Jamaicans in which the traditional tourist-"native" attitudes are less obtrusive.

On this argument — and it is put forward with due deference, as a layman's, not an expert's opinion — the industry cannot realize the full potential of the tourist market unless it concentrates on improving those facilities which are shared between tourists from all types of accommodation, and uses its influence to improve those commercial and public services which the tourist shares with the resident of the corresponding income-level.

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#### APPENDIX

SUMMARY OF ANSWERS BY TOURISTS TO QUESTION "WAS THERE ANYTHING YOU WANTED TO OBTAIN HERE THAT YOU HAVE NOT BEEN ABLE TO FIND?":

##### Summer 1958 (Kingston)

Length of stay 6 days or less: 100 questionnaires  
22 answers

Women.  
 Night life, floor shows, entertainment.  
 A good coffee shop.  
 Matches in hotels and restaurants.  
 A cool place to sleep and eat.  
 Variety in pictures in black and white.  
 Steel band records.  
 Incidentals usually obtained in a pharmacy — newspapers.  
 Ready made tropical suits for boys; hand embroidered lingerie; British silver; embroidered cashmere sweaters (large sizes).  
 Fine wool men's socks and cashmere sweaters for less than in U.S.  
 Embroidered linen table cloth.  
 Royal Doulton 'Summer Song' dishes, Rosenthal figurines.  
 Italian cloth in bond.  
 Alligator wallets.  
 Grass linen luncheon set.  
 Lovely handkerchiefs.  
 Jamaican gold charms.  
 Danish silver.  
 Coloured bead necklaces and bracelets and wooden articles.  
 Table linen.  
 Bicycle with 28" wheels.

Length of stay 7 days or more: 120 questionnaires  
23 answers

Native music, dancing, atmosphere at hotels.  
 Steel band, ocean swimming in Kingston.



New York newspapers not over one day old.  
 Suspenders (none in Montego Bay). Used stamp shop.  
 Small objects (e.g. sunglasses) not within blocks of hotel.  
 Boxer type of swimming trunks.  
 Gold charms.  
 Gold charms typical of Jamaica.  
 Individual pieces of china to match place settings.  
 Imported tape recorder (English or Italian).  
 'Hurricane' drink (rum and pineapple).  
 Japanese cameras.  
 Long white gloves: more ceramic jewelry.  
 Wash cloth; chocolate candy; soap.  
 Native carved book ends.  
 Portable tape recorder.  
 Drug stores are inadequate.  
 Selection of books poor — nothing stimulating.  
 Light evening entertainment.  
 Coffee shop; improved transport; voluntary planned group recreation; programmes to facilitate social exchange.  
 Coffee shops, paper and magazine shop, gift store in hotel, planned recreation programmes, better transportation (bus service).  
 Local pottery.

## Winter 1958

129 questionnaires  
 45 answers

More small inexpensive articles for gifts.  
 Little boys' clothes (22 months); good earrings for pierced ears.  
 Royal Doulton figurines, Copenhagen china.  
 More clothes.  
 Shops understaffed, short of inventory, out of some sizes.  
 Gifts for children — toys, etc.  
 China at reasonable prices; well tailored clothes.  
 Toys for children.  
 More less costly articles for small gifts.  
 Not much variety — things are very expensive.  
 Shops disappointing.  
 Shopping is very poor.  
 Large-size ladies' swimsuit; walking stick; Rubinstein cosmetics.  
 Things for children — there is nothing but shirts and skirts.  
 China dishes duty free.  
 English bone ash trays.  
 English men's socks and cashmeres.  
 Clothes — no variety; ceramics — too expensive.  
 Shower cap, small chiffon scarves, bathing caps in hotel shop.  
 There is nothing unusual in the shops that I would want.  
 Young, unmarried people.  
 Good English clothes.  
 More evening entertainment.  
 Better selection of china.  
 Good merchandise, especially clothing.  
 American magazines.  
 Service plates, flat, not highly polished, mahogany preferred.  
 Practically everything we looked for.  
 A pharmacy, well stocked.  
 More native stuff, better quality.  
 Not enough variety and quality in shops.  
 Drug stores, well stocked.  
 China and basiliques.  
 Good fishing; horse and buggy service.  
 More china goods.  
 Mahogany, finely finished, light colour, no gloss.  
 Gifts to take home such as English goods — prices higher than U.S.  
 Cheap prices.  
 Colour lacking; plants (cf. Haiti).  
 Native pottery.  
 A watch.

Cotton and gauze at hotel store.  
 Bikini bathing suit.  
 More unusual sports wear for men.  
 L'Aiglon French men's belts.

## SUMMARY OF TOURISTS' GENERAL COMMENTS

*Summer 1958 (Kingston)*

Length of stay 6 days or less: 115 questionnaires  
 32 favourable  
 52 critical  
 31 no comment

## Points of criticism and number of times mentioned:

Hotels should be improved and air-conditioned	8
Better guided tours needed	8
Prices higher than elsewhere	7
Stores close too early, service bad	8
Tourists molested by beggars	6
Prefer Modified American Plan and European Plan	5
Tourists need organized information on Jamaica	4
Tourists gypped by taxi-drivers	3
Need cheaper transport	2
Need more social and night life	2
Tourists distressed by poverty	2
Dressing for dinner irksome	2
Miscellaneous hotel complaints	3

Length of stay 7 days or more: 104 questionnaires  
 34 favourable  
 50 critical  
 20 no comment

## Points of criticism and number of times mentioned:

Hotels should be improved and air-conditioned	9
More entertainment needed in hotels	6
Tourists distressed by poverty, social conditions	6
Tourists need organized information (on stores, hotels)	5
Need better public services (sanitation, buses)	5
Store prices high, service bad	5
Hotels expensive	3
Tourists molested by beggars	3
Tourists 'pressured' for tips — prefer percentage system	3
Prefer Modified American Plan	2
Complaints against taxi-drivers	2
More contact needed with community	1
More attractions should be developed (deep-sea fishing)	1
Hotels too Americanized	1
Miscellaneous complaints	6

*Winter 1958 (North Coast)*

130 questionnaires  
 43 favourable  
 39 critical  
 48 no comment

## Points of criticism and number of times mentioned:

Stores unsatisfactory (prices high, stock poor, service bad)	13
Transport expensive	8
More entertainment needed	6
General prices high	5
More information on and contact with country needed	4
Hotels too Americanized	7
Service bad, local people extortionate	2
Prefer percentage system for tips	1
Miscellaneous complaints	2

## BOOK REVIEWS

### QUANTITATIVE ASPECTS OF ECONOMIC GROWTH

*The Growth of Industrial Economies.* By W. G. Hoffmann (translated by W. O. Henderson and W. H. Chaloner). Manchester University Press, 1958, p. xiii, 183.

Economic growth is by necessity a matter of economic history, and economic history, as the applied economics of the past, is necessarily quantitative. Despite the voluminous literature on growth, however, comparative studies of the quantitative aspects of the growth process are still scarce. There remains a considerable need for comparisons of the historical patterns of growth in both the inter-temporal and inter-spatial dimensions. Dr. Hoffmann's study is a contribution, albeit a highly limited one, in this direction.

The book is an up-dated and expanded version of the author's earlier *Stadien und Typen der Industrialisierung* (1931). From a systematic comparison of the growth of manufacturing industry in several countries over long periods, it concludes that there are certain similarities in the pattern of economic growth of all economies. The main argument is summarized as follows: "Whatever the relative amounts of the factors of production, whatever the location factors, whatever the state of technology, the structure of the manufacturing sector of the economy has always followed a uniform pattern. The food, textile, leather and furniture industries — which we define as 'consumer-goods industries' — always develop first during the process of industrialization. But the metal-working, vehicle building, engineering and chemical industries — the 'capital-goods industries' — soon develop faster than the first group. This can be seen throughout the process of industrialization. Consequently the ratio of the net output (value added) of the consumer-goods industries continually declines as compared with the net output of the capital-goods industries" (p.2). The focus of the study is on changes in this net output ratio.

For the purpose of analysis, Dr. Hoffmann divides the process of industrialization into three stages, according to the value of the net output ratio. After considering in rather mechanical and not very penetrating terms the historical phases of early industrialization since 1770, the author examines more closely each of the three stages for various countries. The examination is based mainly upon censuses of production and statistics of industrial employment. Attention is then given to differences in the expansion of various industries within the two sectors of the industrial economy during each stage in order to identify "the dominant industries." Not surprisingly, these have been, in general, the food and textile industries during the first two stages, and the iron and steel, metals and engineering industries during the third stage. Finally, it is suggested that practically all branches of manufac-

ture falling in a major industrial group have followed the same general trend of development.

From all these historical measurements, it may be asked what are the implications for the problems of accelerating development in non-industrial countries or maintaining growth in industrial economies. Unhappily, Dr. Hoffmann chooses to discuss very few questions or implications beyond the presentation of the mere statistical generalization. The subject-matter is narrowly confined — being limited to structural changes in only manufacturing industry, and it is only in a casual and highly abbreviated manner that this change in industrial structure is related to the process of industrialization. The speed of development is measured by changes in the net output ratio, not the growth of total output. Yet the interrelationships between the aggregate and the industrial components are not indicated. And even the differences among countries in the rate of change of the net output ratio are not explained. Why was there a sharp rate of decline in the ratio between consumer-goods and capital-goods industries in Japan and Germany, but a low rate of decline in the U.S.A., Canada, the Argentine, and Denmark? This question is side-stepped by pleading that "to offer an explanation...it would be necessary to consider the problem in the light of the development of the entire economies of the countries concerned" (p. 151); resort is therefore had to little more than a simple listing of such elements as the extent to which an industry supplies an export market, the extent to which an industry is favoured by the availability of native raw materials, and the policy of the State in fostering the growth of particular industries.

Again, there is only slight concern with the causal interrelations between the dominant industries and the industrialization process. The explanation of significant differences in the expansion of various industries consists in merely nodding at the differences in location, international trade and certain non-economic factors such as population growth and the political and social framework within which the economy operates (pp. 4, 148). There is no attempt to investigate systematically the crucial and intriguing question of "growing points" in Professor Nurske's terminology or primary, supplementary, and derived growth sectors" in Professor Rostow's terminology. Surely this question is of major significance if the statistical findings of this study are intended to help meet "the need for a systematic analysis of the processes of world industrialization" (p. xii). The reader may well wonder how changes in the net output ratio and in the dominant industries are related to this question and to other questions that concern the transformation of the industrial structure during the course of industrialization. For these questions the earlier studies by Simon Kuznets (2) and A. F. Burns (1) may still be more generally illuminating than Dr. Hoffmann's. Perhaps the central clue is to be found in the somewhat paradoxical statement by Professor Burns that retardation in the growth of individual industries is but an expression of the progressiveness of the economy: a rapid growth in general production and a decline in the rate of growth of individual industries go together (1, pp. xvi,

122). The differential rates of development among various industries may be best explained in terms of how the innovational forces in a growing economy affect the markets for goods.

An author may, of course, restrict his subject as he wishes. In this case, however, the restriction to measurement of the changes in the net output ratio of four consumer-goods industries and four capital-goods industries is an unduly narrow basis for the additional claim that the book studies the genesis and progress of industrialization. All that really emerges is that the net output ratio can be interpreted as a measure of the level of development; as such, it may have no more significance than *per capita* income, national product per worker, or output of consumer goods per consumer unit — all of which are likely to be closely interrelated with the net output ratio.

The deficiencies of this book are thus much more of an analytical than statistical character. The major limitation is not so much that the statistical generalization rests for some periods on narrow and speculative data, but rather the lack of theory-oriented analysis. The very effort of this book shows that the time-pattern of the industrialization process cannot be distilled adequately in terms of only one quantitative characteristic of growth. Instead, a number of interrelated characteristics must be analyzed. And then, just as it is necessary to subject these characteristics to empirical data, so is it necessary to have some theoretical orientation in mind, in order that there might emerge a significant interplay between the quantitative and relational aspects of the growth process.

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*The Imperial Idea and its Enemies*. By A. P. Thornton. Macmillan, London, 1959, xiv, 370 pp., 30/-.

Most recent analyses of imperialism have been concerned with economics: Professor Thornton's illuminating study is concerned with power. The subtitle he has chosen provides the clue to his interpretation—"a study in British power"—and he never forgets "the facts of power" in discussing the vicissitudes of imperial growth and decay. At the same time, as he puts it, "power is neither used nor witnessed without emotion": in other words, "imperialism" and "anti-imperialism" involve hearts as well as heads, feelings as well as interests. And when feelings are engaged, there are curious twists of logic. In particular, "imperialism" on the one hand and "liberalism" and "socialism" on the other are often allies by nature rather than enemies by stratagem.

This is a subtle and suggestive book which is designed to make both imperialists and anti-imperialists think as well as feel. It will please neither, for it searches concealed pre-suppositions and points to innumerable inconsistencies in outlook as well as in argument.

The first chapter on "the emergence of empire" is perhaps the weakest of the book. It begins with the Don Pacifico debate, and although it goes on to review the earlier Benthamite contribution to radical views of empire — like Benthamite contributions to almost everything else, it nourished opposing systems of thought and policy — it says nothing about the contribution of the Evangelicals. The idea of "mission" is introduced on page 38, but the intellectual and emotional context of the idea is not discussed. Some of the Evangelical statements about "empire" were influential long after they had been made, but there are only two references to Christianity in the index and a few lively pages on "cant" (pages 71-2). Similarly, in discussing the recent debates on colonial questions Professor Thornton leaves out the changing role of one of the most important pressure groups engaged in daily work in colonial territories. Neither "imperialism" nor "anti-imperialism" can be fully understood without due attention being paid to such diverse figures as Wilberforce, Bishop Heber and the Rev. Michael Scott.

There are two doubtful statements about economic history in Chapter I. It is an exaggeration to say that after 1870 "trade was beginning to be thought of less as an international service than as a nationalised industry": surely that doubtful distinction belongs to the twentieth century. And were Englishmen afraid in 1870 that "the expansion of British trade" was coming to a stop? Between 1870 and 1873 England underwent what Disraeli called "a convulsion of prosperity", and it was only after the financial crash of 1873 that the shadows really began to lengthen. Professor Rostow's account of the so-called "great depression" and the channels of investment after 1873 is relevant to the emergence of some of the new views of imperial opportunity.

Finally, can Gladstone fairly be accused of "customary unimaginative thoroughness" (page 24)? Verdicts on him will always diverge, but when he did not see one big issue in broad terms it was usually because he was too busy with another big issue. Sir Philip Magnus sums up his position very differently: "because politics were to Gladstone always primarily a duty . . . he failed not only to master the minor political arts, but also to overcome certain faults of temperament which militated against the success of the policies which he advocated with splendid and infectious enthusiasm". It was not so much his imagination which was at fault as his awareness of the motives and aspirations of other human beings. The relationship between Gladstone's belated but enthusiastic conversion to Irish home rule and the imperialist counter-reaction requires fuller treatment than Professor Thornton has space to give to it.

From page 67 onwards this book acquires a commanding note of authority which is missing in the earlier pages, and it is a very good book indeed. After brilliantly discussing the nature of imperialist exhilaration in the late nineteenth century — and wisely adding that we do not now know what "exhilaration" is — Professor Thornton goes on to study the impact of the Boer War, "a major moral issue like no other which confronted the imperialist doctrine". From 1902 onwards the imperial idea "suffered a con-

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traction, a loss of moral content, from which it never recovered". The anti-imperialist reaction in the early years of Edwardian England helped to create a new "left", which even now influences British opinion. To some of the first members of this "left" and to their spiritual descendants questions of colonial and foreign policy were and are more important than questions of domestic policy. The evolution of the thought of a writer like E. D. Morel illuminates this aspect of twentieth-century British history. If, as Professor Thornton says, there was a major re-alignment of the forces in Europe in 1904, there was a major re-alignment of left-wing forces in England around the same time. The subsequent history of the "left" has been considerably different from that of the Labour Party, and the differences have been particularly forcefully expressed in relation to colonial and imperial questions. On questions of power in Edwardian England Professor Thornton is clear and incisive. He rightly talks of a tacit bargain made between the main political parties in the decade before 1914. "The Liberals would maintain the Navy — and thus the British Empire, within its guardianship — while the Tories would not press for any form of expansion". On the whole, as he says, the bargain was kept.

The 1914-1918 war, a neglected subject, is dealt with coolly and with detachment. British power in the Middle East was greater than had been anticipated or could be fully gauged, but incompatible and contradictory lines of policy were followed. In particular, two modern dilemmas began to shape themselves for the makers of policy — weighing France with the Arabs in the scale of power (France was bound to tip the balance), and dealing simultaneously with Zionism and Arab nationalism. There were two further facts of power during the inter-war years — the withdrawal of the United States from many areas of international policy making (political power did not reflect economic power) and the absence of Russia at the Peace Conference which ended the war.

Pages 202 to 203 give a good summary of the balance sheet of the British Empire in the 1930's. Dominion loyalties remained strong, and while political power over those countries had been surrendered, strategic control was maintained; new areas of exclusive power had been acquired in the Middle East; the Colonial Office ruled a dependent Empire in which "questions of status were not discussed and were not supposed to arise" (to contemporary writers the "colonial question" usually meant a possible international "share-out" between Britain, France, Germany and Italy, not a transfer of power from empires to "new" peoples; in India the British *raj* still stood in splendour if not in unquestioned authority; and the Suez Canal was still, in a phrase of Eden, "the swing door of the British Empire". The only items that are missing from Professor Thornton's balance sheet are economic — the costs of empire (opportunity costs included), the new geography of oil, the facts and theories of Ottawa, and the impact of air power.

The last three chapters of this book have considerable dramatic as well as analytical power. They deal with the mounting attack on British imper-

ialism: first, from the rival empires of Germany and Japan; second, from domestic opponents ("a triple combination of the old-style Radicalism, the new-style Socialism, and the apathy of the democracy"); and third, the nationalist attack from people within the imperial ring itself. The final chapter has the title "the combined assault". Common to all the chapters is the theme of loss of "confidence". "Justification", to use Professor Thornton's expressive word, is as much a key concept in imperialism as in theology. Unless imperialism preserves its moral content and its imaginative range, it dissolves. The moral content continues to depend on a sense of mission as it did in the nineteenth century, but the idea of mission has been challenged on at least three fronts. Not that the alternatives to imperialism — "nationalism", for example, "democracy" or "socialism" — can always be explained realistically in moral terms, but that they make high moral claims which often clash with the claims of "imperialism". By the late 1930's the imperialist, who had once been able to command men's hearts as well as their minds, had fallen on hard times. The war of 1939-1945 re-asserted more than one old ideal of mission and more than one statement of imperial power, but when the war ended "democracy" was in the saddle in England and there was a further dissolution of empire under the pressure of forces on the spot. "Both parties vied with each other in convincing the world, and in some cases themselves, that if they were imperialists still, it was only in the sense that there was still an imperial legacy to deal with, and that they were the only people available to deal with it". Only on the Middle East, which both parties recognized touched vital British interests, were there major differences of policy, and this book ends naturally with the aftermath of the "Suez adventure" in 1956.

On Suez itself Professor Thornton is ruthlessly analytical: "It was a venture that failed as it was bound to, as its British instigators had entirely miscalculated the number of enemies that imperial ideas of this particular kind now mustered". Yet the crisis brought out all the emotional elements the imperial idea had ever had, "the admirable and the unworthy alike". The object of the policy is still not clear. "What Britain intended to do with a subjugated Egypt . . . is anyone's guess. Certainly another Cromer would have been as hard to find in the mid-twentieth century as another docile Egyptian Prime Minister". Two other aspects of Suez might have been brought out — the failure of "will" on the part of the government and the character of the opposition to the government. If imperialism called on its past, so too did anti-imperialism. The liberal conscience was more keenly stirred than "the labour movement", and even the methods of protest had something in common with those of the nineteenth century. It is true that one of the elements in the protest was the belief that Britain was losing by the actions of its government the greatest or perhaps its only lasting imperial asset — moral leadership.

There are many sources of information and ideas on which this book is based. It makes good use of materials from plays, poems and novels as well

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as from debates in parliament or platform speeches. In a way it is a "commentary" on the changing sequence of events as much as an analysis, and there is still scope for more detailed monographic studies not only of policy making but of opinion. It would be interesting to know how many members of parliament have taken an active interest in imperial matters, for or against, how many journals have been produced (like the *Round Table*, quoted but not discussed) and how many readers they have attracted; what has been the size and influence of specially organized imperialist and anti-imperialist societies and pressure groups; how far universities have been responsible for the articulation of anti-imperialism as well as imperialist apologias like those of Professor Cramb. It would be interesting too to study in more detail the way in which one expression of "colonial" nationalism has influenced another, and how the experience of another "imperialism" — say, the French — differs from that described in this book. Professor Thornton recognizes all this in his Preface. "The chief fascination of the theme lies in just this: that no last words are possible . . . That there are other things to say than those that are said here I know very well, and these I shall look forward to reading, from the pens of others, in due course".

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Asa Briggs.

*Economic Policy and Labour: A Study in Uganda's Economic History.* By P. G. Powesland. East African Institute of Social Research, Kampala, Uganda, 1957, x, 80 pp., 9/-.

When P. G. Powesland died in 1954 he left in manuscript four chapters of a study of migrant labour in Uganda. These chapters, which formed a self-contained historical account of labour and labour policy in Uganda from the arrival of Europeans to the present, have been edited by Dr. Elkan and published under the title *Economic Policy and Labour*. In the circumstances it is not surprising that the resulting monograph presents occasional difficulties to the reader; one must be grateful that so much has been preserved, and that from fragmentary data the author was able to construct so clear a history of the growth of a labour market in a society which fifty years ago was unacquainted with wage labour.

Inevitably, this history has been built up from European comments, European-style statistics and the records of European administration. There results from this a certain lack of perspective which the author has not always been able to counteract. The early part of the book creates the impression that a sizeable part of the population of the territory was involved in the problems of migrant labour from an early date, and it comes as a slight shock to find that in 1938 the number of migrant labourers was of the order of 2 per cent of the population. Again, a reliance on European records naturally exaggerates the importance of two special groups of employers — the government and the "non-native" planters. A careful reading shows that Powesland was fully aware of the predominant role of the African farmer in the

Uganda economy, but one suspects that the awareness would have been conveyed more clearly to the reader had he been able to complete the analytical section of his study.

There are some intriguing hints which suggest how this analysis might have proceeded. One of the fundamental facts to which Powesland draws attention is the change in the relative productivity of different provinces brought about by the introduction of money and of a cash economy. Given relative freedom of movement, this in itself would explain massive movements of population within the colony. But would it explain why there grew up the system of migrant wage labour which is Powesland's chief concern? He emphasizes two other factors which promoted the growth of this system. One is the growing appetite of the local consumer for goods which could only be obtained for cash; the other is the imposition of a poll tax and the commutation of traditional services for cash payments.

This is the background against which is set the economic policy of the Uganda Government. This policy, like all policies, existed at two levels. At the abstract level, it was based on general aims which included such admirable things as development of the territory's resources, improvement of living standards and respect for the native culture. At a lower level, the government was pulled this way and that by the demands of the planters, the pressure of the British administration to increase revenue and keep down expenditure and its own needs for labour. The issue seems to have been a policy which, while it recognized the desire of the employer to keep down labour costs (which meant keeping down the reward of labour) and the need to expand the labour supply (which meant allowing the reward of labour to rise), aimed in practice at preserving a rough balance between demand and supply which would minimize the social problems associated with labour migration.

This aim had to be pursued in a time of rapid change, when the whole structure of the economy and the society was being transformed from a tribal subsistence basis to an open cash economy. It had to be pursued when the prices of the export crops on which the new system depended were fluctuating rapidly. It would be surprising if a policy so exigent, backed by the minimum of resources, had any success; and the overwhelming impression left by Powesland's account is that government intervention in the labour market was either ineffectual or, as in the case of the forced labour system known as *kasavu*, had results quite different from those foreseen.

Powesland sees the eventual solution to the problems of labour in Uganda in a stable labour force separated from the "hidden subsidy" of part-time tribal cultivation, receiving good wages and productive enough to justify them. On each occasion in the short history of the labour market that these conditions have appeared possible of fulfilment, they have been prevented by slumps or by the appearance of a new source of low-grade, nominally cheap labour. Up to the time when he wrote, at least, workers from Ruanda-Urundi were still moving into Uganda in large numbers, and stabilization of the labour force was not yet in sight. Yet he seems hopeful that the orthodox

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methods of labour policy — housing estates, education of employers, provision of social services — will have some effect, provided the aim of labour stabilization is clearly envisaged. One wonders how this hope would have been justified by his uncompleted analysis, and what price would have to be paid in the abandonment of the flexible supply of foreign labour from over the frontier and in the diversion of capital to meeting social problems which are often superseded by the unassisted course of development. It may be that the events of the five years since Powesland wrote (a long time in the history of so rapidly changing a country) have answered some of these questions. One hopes that some of the resources of the East African Institute may be allotted to building on this excellent foundation to the study of a problem so well fitted to focus important issues of social and economic change.

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G. E. Cumper.

*The Caribbean Trade Unionist.*

*Universities and the Education of Working People.*

*Trade Unions and Politics in the British Caribbean.*

*Trade Union Development and Trade Union Education in the British Caribbean.*

By Rawle Farley. Georgetown, British Guiana, 1957-8.

This series of booklets embodies material used by the author for lectures, seminars and press articles in the course of his duties as Tutor in Industrial Relations in the University College of the West Indies. The first of them provides a conspectus of the issues which face the Caribbean trade unions today; the rest take up particular issues and deal with them at greater length.

There was a time when rhetoric was a respectable study, teaching those who were concerned with public issues the art of presenting them persuasively and effectively. These booklets are an exercise of rhetoric in its higher sense. The issues they discuss are important and the point of view they convey, and convey effectively, must be taken into account by all interested in public affairs in the British Caribbean. It is, in substance, that the trade unions in the area must develop from their picaresque beginnings along lines which can be traced in the history of unions elsewhere toward better administration, soberer negotiation, more emphasis on benefits and educational activities and wider and more stable membership; and that in doing so they will be serving the interests of their members and of the nation (or nations) of which they form part.

In this point of view are combined a number of arguments which have been put forward often enough by different parties. The need for more businesslike unions has been emphasized by employers, labour departments and visiting experts. The need for loyalty and discipline on the part of the union member has been emphasized by the union officials. The need for adult edu-



cation in citizenship has become something of a commonplace on West Indian platforms. The contribution of the author is to bring these together into a comprehensive and persuasive statement which appeals to the unionist as a rational and civic-minded individual.

Inevitably such a statement glosses over some of the more recalcitrant problems; the tensions within the leadership of even the best run unions, the difficulties posed by the presence in Jamaica of two blanket unions of opposite political affiliation, the emotional claims which a union must satisfy. The critical-minded reader may feel that the relation of the British T.U.C. to the Labour Party is dealt with rather too optimistically. But these booklets must be judged by what they set out to do — to present union problems to unionists in a way conducive to their solution; and in this they would appear to be successful.

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#### NOTES ON CONTRIBUTORS

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